2005

ANNUAL REPORT

Bob Taft
Governor

William W. Wilkins
Tax Commissioner

Our Motto:

We CARE about the

quality of our service:

Courteous

Accurate

Responsive

Equitable

Our Mission:

To provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

Office of the Tax Commissioner
30 East Broad St., 22nd Floor
Columbus, Ohio 43215
tax.ohio.gov

April 10, 2006

The Honorable Bob Taft
Governor of Ohio
Members of the Ohio General Assembly

Dear Governor, Senators and Representatives,

It is my responsibility under Ohio Revised Code 5703.42 and my distinct privilege to provide to you the **2005 Annual Report of the Ohio Department of Taxation (ODT).**

The report highlights ODT activities in Fiscal Year 2005 (July 1, 2004 through June 30, 2005). It provides a full description of the base, rates, and provisions of each of the 21 taxes and three local government funds administered by the department, along with detailed data on each individual tax.

This year's report also contains an overview of the **Ohio Tax Reform** measures enacted in House Bill 66 and their effect on Ohio's tax structure over the next five years. Individual changes to specific taxes are discussed in the appropriate chapter.

The **Year in Review** section of the report provides additional background information regarding tax reform. It also highlights the historic physical relocation of many of ODT's offices to a new facility in north Columbus. Other portions of this chapter detail the department's accomplishments in expanding both its Web site and the tax services offered on-line by the **Ohio Business Gateway**, as well as the progress of Ohio's involvement with the Streamlined Sales Tax Project.

Included in this report is a summary of significant tax legislation from the fiscal year. It also contains a thorough overview of ODT's service divisions and how each functions in support of the department's overall mission.

I invite you to read through the annual report. It will give you a greater understanding of our tax system in Ohio and how it serves to meet the needs of both residents and government. I believe that you will find the report to be both an interesting and enlightening publication.

Above all, I hope that this report will serve your requirements. I promise that this department will continue in every way to work to that end.

Respectfully submitted,

William W. Wilkins
Tax Commissioner

Table of Contents

— Understanding the Department

— Tax Commissioners and Governors Served, 1939 - Present 5
— Understanding the Report 6
— Responsibilities of the Department 7
— Glossary of Terms 11
— Year in Review 13
— Ohio Tax Reform 15
— Revenue from Taxes Administered by the Tax Commissioner 17
— Summary of Legislation 22

— Service and Support

— Audit Division 26
— Budget and Fiscal Division 26
— Communications Office 27
— Office of Chief Counsel 27
— Employee Development and Training/Quality Programs Division 29
— Enforcement Division 30
— Forms Division 30
— Human Resources Division 30
— Information Services Division 31
— Internal Audit Division 32
— Legislation Division 32
— Ohio Department of Taxation's Partners 33
— Operations Center 33
— Revenue Accounting 35
— Tax Analysis Division 35
— Taxpayer Services/Compliance Division 36

— Taxes Administered

— Alcoholic Beverage Tax 40
— Cigarette and Other Tobacco Products Tax 45
— Corporation Franchise Tax 50
— Dealers in Intangibles Tax 68
— Estate Tax 70
— Horse Racing Tax 75
— Individual Income Tax - School District 80
— Individual Income Tax - State 82
— Kilowatt-Hour Tax 96
— Library and Local Government Support Fund 98
— Local Government Funds - State and County 102
— Motor Vehicle Fuel Tax 108
— Municipal Income Tax for Electric Light Companies and Telephone Companies 113
— Natural Gas Consumption Tax 117
— Pass-Through Entity Tax 119
— Public Utility Excise Tax 124
— Public Utility Property Tax 128
— Real Property Tax 133
— Replacement Tire Fee 148
— Sales and Use Tax 149
— Severance Tax 161
— Tangible Personal Property Tax 163

— Rule Review

..... 170

— Index of Charts and Tables

..... 171

Tax Commissioners & Governors Served, 1939 - Present

Tax Commissioners	Term of Office	Governors Served	Term of Office
William S. Evatt	6/03/39 — 12/31/44	John W. Bricker	1/09/39 — 1/08/45
C. Emory Glander	1/01/45 — 1/31/51	Frank J. Lausche	1/08/45 — 1/13/47
C. Emory Glander	"	Thomas J. Herbert	1/13/47 — 1/10/49
C. Emory Glander	"	Frank J. Lausche	"
John W. Peck	2/01/51 — 1/31/54	Frank J. Lausche	"
Stanley J. Bowers	2/01/54 — 4/14/63	Frank J. Lausche	1/10/49 — 1/03/57
Stanley J. Bowers	"	John W. Brown	1/03/57 — 1/14/57
Stanley J. Bowers	"	C. William O'Neill	1/14/57 — 1/12/59
Stanley J. Bowers	"	Michael V. Disalle	1/12/59 — 1/14/63
Louis J. Schneider	4/15/63 — 12/29/64	James A. Rhodes	1/14/63 — 1/11/71
Gerald A. Donahue	1/04/65 — 3/13/66	James A. Rhodes	"
Gail W. Porterfield	3/13/66 — 1/10/71	James A. Rhodes	"
Robert J. Kosydar	1/11/71 — 1/13/75	John J. Gilligan	1/11/71 — 1/13/75
Gerald S. Collins	1/13/75 — 8/28/75	James A. Rhodes	1/13/75 — 1/10/83
Edgar L. Lindley	9/11/75 — 1/10/83	James A. Rhodes	"
Joanne Limbach	1/10/83 — 1/14/91	Richard F. Celeste	1/10/83 — 1/14/91
Roger W. Tracy	1/14/91 — 1/11/99	George V. Voinovich	1/14/91 — 12/31/98
Roger W. Tracy	"	Nancy Hollister	1/03/99 — 1/10/99
James J. Lawrence	1/11/99 — 6/30/99	Bob Taft	1/11/99 — Present
Thomas M. Zaino	7/01/99 — 10/31/03	Bob Taft	"
J. Patrick McAndrew	11/01/03 — 01/11/04	Bob Taft	"
William W. Wilkins	1/12/04 — Present	Bob Taft	"

Understanding The Report

The 2005 ***Annual Report of the Ohio Department of Taxation*** presents an overview of both the department and the taxes it is statutorily obligated to administer. This report is divided into three primary sections: **Understanding the Department; Service and Support;** and **Taxes Administered**.

Understanding the Department describes:

- departmental responsibilities, financial expenditures, and human resources data;
- a glossary of terms common across most taxes;
- a review of significant events during Fiscal Year 2005;
- principal components of the tax reform package enacted in House Bill 66;
- a brief summary of revenue generated by the various taxes; and
- other major pieces of legislation with tax implications that passed in FY 2005.

Service and Support outlines:

- the functions of these respective divisions and how they contribute to the department's overall mission; and
- highlights of significant accomplishments in FY 2005.

Taxes Administered chapters are organized alphabetically, by tax. Each chapter:

- specifies the taxpayer, explains the tax base, rates, credits and exemptions, special provisions, and disposition of revenue in addition to filing and payment information;
- lists relevant sections of the Ohio Revised Code, information releases, and legislation and court cases that affect the tax under discussion in the chapter; and
- contains charts and tables detailing various statistical information about each particular tax.

A review of the department's administrative rules follows the three primary sections. An index of charts and tables, organized by chapter, concludes the report.

The Annual Report primarily contains data and information from only FY 2005 and is **not** *intended as a definitive guide or manual interpreting Ohio's tax laws. For the most up-to-date information on individual taxes, tax filing, publications, historical data, and other topics affecting taxation, visit the department's Web site* (**tax.ohio.gov**).

Responsibilities of the Department

The Ohio Revised Code (Section 5703.05) states that "all powers, duties and functions of the Department of Taxation are vested in and shall be performed by the Tax Commissioner . . ." The Tax Commissioner is appointed by the Governor, is subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor.

In general, the Tax Commissioner is responsible for the administration of most state-collected taxes and several locally-collected taxes, and exercises supervision over the real property tax. Responsibilities also involve several programs that distribute revenues to local governments, including:

- motor fuel tax distributions;
- local property tax relief reimbursements;
- distributions from the Library and Local Government Support Fund, the Local Government Fund, the Local Government Revenue Assistance Fund; and
- distributions from the Local Government Property Tax Replacement Fund.

The Tax Commissioner is empowered to make "all tax assessments, valuations, findings, determinations, computations and orders," which the department is, by law, authorized and required to make, as well as to review or re-determine or correct previous assessments, valuations or findings. The Tax Commissioner's other principal responsibilities are:

- promulgating rules and regulations and preparing and distributing tax returns and other reporting forms;
- auditing returns, levying assessments and penalties, and granting or denying tax refunds; and
- issuing, revoking or suspending certain licenses and permits.

In addition, the Tax Commissioner has certain specified duties. These are:

- actual collections of individual income, horse racing, sales, corporation franchise, and excise taxes;
- operating a central collection and reporting system for the municipal income taxes on electric companies and telephone companies; and
- maintaining a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of possible changes in existing laws, and proposed measures providing for other forms of taxation.

To efficiently perform these numerous functions, the Tax Commissioner is authorized by law to create such divisions and sections of employees as are deemed proper. The organization chart accompanying this chapter indicates the structure of the department as of June 30, 2005. In addition to four Deputy Tax Commissioners, one of whom also serves as Chief Legal Counsel, the department also has a Chief Information Officer. These executive staff members oversee various operating divisions whose functions are purely tax administration of the various taxes. These operating divisions include:

- Sales and use
- Operations and support
- Business and corporation franchise
- Individual income and school district income
- Personal property
- Public utility
- Excise
- Tax equalization
- Estate

There are also administrative service and support staff sections, including:

- Audit
- Chief counsel
- Budget and fiscal
- Employee development and training
- Human resources
- Forms
- Enforcement
- Appeals management
- Revenue accounting
- Tax appeals
- Tax analysis
- Taxpayer services/Compliance
- Legislation
- Communications
- Information services
- Bankruptcy

The department also has a Problem Resolution Officer on staff, assigned to the Office of Chief Counsel, who provides additional assurance to taxpayers that their rights are being protected. To further serve Ohio residents and those in other states that have a business or residential nexus with Ohio, Taxpayer Service Centers are located in eight major cities throughout Ohio, with two in Columbus and one each in Akron, Cleveland, Cincinnati, Dayton, Toledo, Youngstown, and Zanesville. There are also regional audit centers in New York City, Chicago, and Los Angeles.

At the close of Fiscal Year 2005 there were 1,356 permanent employees and 232 intermittent employees within the department. Expenditures of approximately $121.4 million were made during the fiscal year to fulfill the department's various functions and responsibilities. Further details on the number of employees and expenditures are shown in Tables 1 and 2.

The Ohio Department of Taxation also has an assessment role which consists of levying assessments against corporations and individuals which either file taxes incorrectly, or fail to pay or do not pay the full amount of taxes due. For holders of tangible and intangible personal property, the assessment process is used to determine taxable value of the property. Details on the additional revenue collected by these assessments are shown in the **Taxpayer Services/Compliance** section of the **Service and Support** chapter.

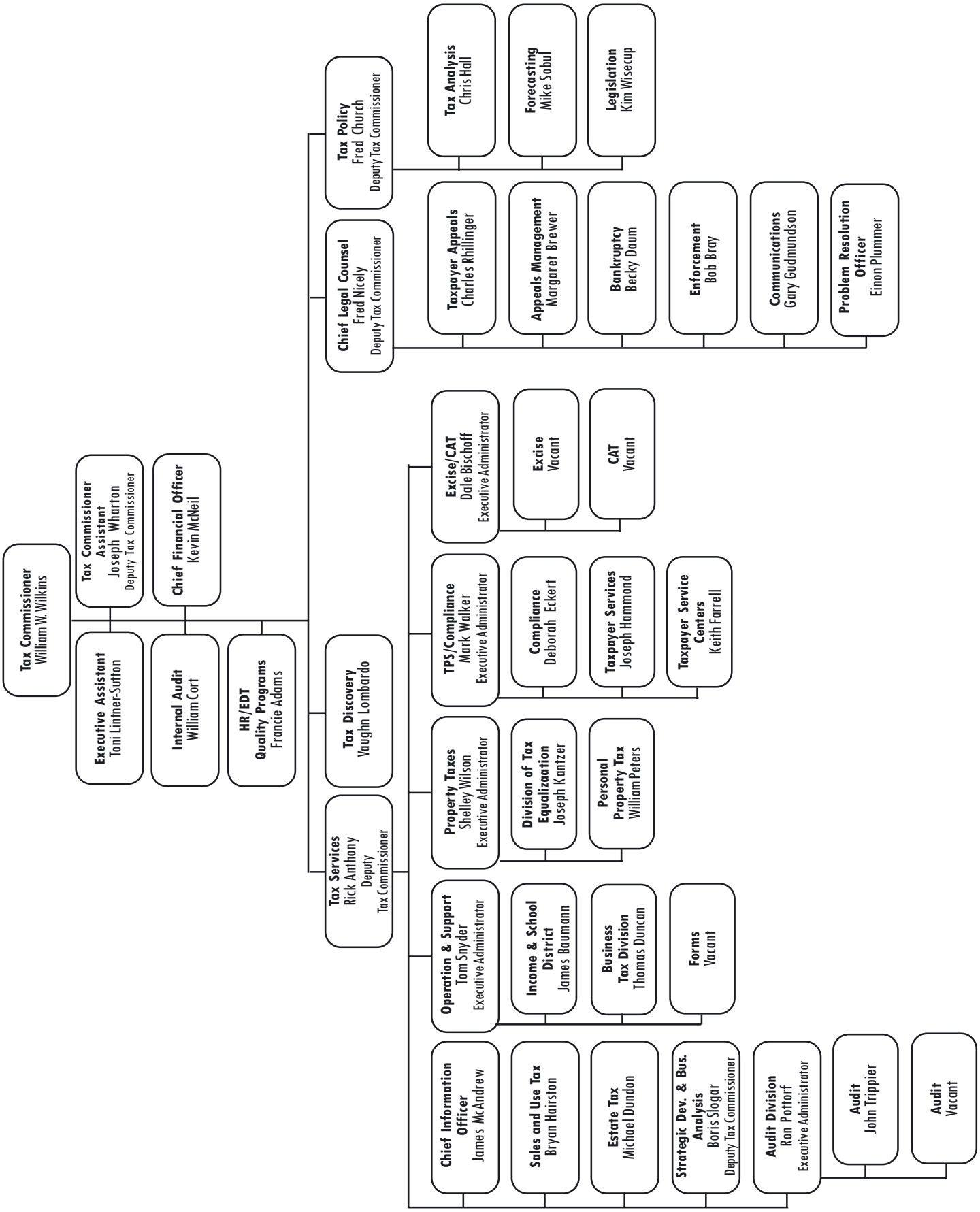

Tax Commissioner
William W. Wilkins
Executive Assistant
Toni Lintner-Sutton
Tax Commissioner Assistant
Joseph Wharton
Deputy Tax Commissioner
Internal Audit
William Cort
Chief Financial Officer
Kevin McNeil
HR/EDT
Quality Programs
Francie Adams
Tax Services
Rick Anthony
Deputy Tax Commissioner
Tax Discovery
Vaughn Lombardo
Tax Policy
Fred Church
Deputy Tax Commissioner
Chief Legal Counsel
Fred Nicely
Deputy Tax Commissioner
Tax Analysis
Chris Hall
Forecasting
Mike Sobul
Legislation
Kim Wisecup
Taxpayer Appeals
Charles Rhillinger
Appeals Management
Margaret Brewer
Bankruptcy
Becky Daum
Enforcement
Bob Bray
Communications
Gary Gudmundson
Problem Resolution Officer
Einon Plummer
Excise/CAT
Dale Bischoff
Executive Administrator
Excise
Vacant
CAT
Vacant
TPS/Compliance
Mark Walker
Executive Administrator
Compliance
Deborah Eckert
Taxpayer Services
Joseph Hammond
Taxpayer Service Centers
Keith Farrell
Property Taxes
Shelley Wilson
Executive Administrator
Division of Tax Equalization
Joseph Kantzer
Personal Property Tax
William Peters
Operation & Support
Tom Snyder
Executive Administrator
Income & School District
James Baumann
Business Tax Division
Thomas Duncan
Forms
Vacant
Chief Information Officer
James McAndrew
Sales and Use Tax
Bryan Hairston
Estate Tax
Michael Dundon
Strategic Dev. & Bus. Analysis
Boris Slogar
Deputy Tax Commissioner
Audit Division
Ron Pottorf
Executive Administrator
Audit
John Trippier
Audit
Vacant

Table 1
ODT Staff Structure & Number of Employees, Fiscal Year 2005

Administrative Divisions		
Tax Commissioner	11	
Human Resources	14	
Tax Analysis	9	
Employee Dev. & Training	8	
Legislation	5	
Communications	5	
HR/TCA Training	2	
Performance Excellence	7	
Divisions Total		**61**
Audit		
Administration	6	
Audit Support	18	
South Central Region	67	
Northwest Region	96	
Northeast Region	82	
New York	9	
Chicago	10	
Los Angeles	13	
Division Total		**301**
Budget & Fiscal		
Administration	6	
Accounts Payable & Purchasing	4	
Facilities Management	18	
Revenue Accounting	11	
Division Total		**39**
Chief Counsel		**48**
Commercial Activity Tax		**11**
Enforcement		**28**
Estate Tax		**11**
Excise & Motor Fuel Tax		
Administration	3	
Processing	12	
Fuel Tax	14	
Fuel Tax Audit	6	
Excise Tax	6	
Division Total		**41**
Forms/Purchasing		**4**
Information Services		
Administration	11	
Application/Development	36	
Infrastructure	49	
Integrated Bus. Tax & Standards	9	
Project Management	8	
Customer Service	30	
Division Total		**143**
Internal Audit		**3**
Operations & Income Taxes Administration		**4**
Operations		
Administration	3	
Individual Tax Processing	24	
Business Tax Processing	19	
Extraction	10	
Data Entry	41	
Records Center	21	
Mail Center	9	
Refund/Research	5	
Remittance Processing	9	
Division Total		**141**
Business & Corporation Franchise Tax		
Administration	5	
Pass-Through Entity	9	
Corporation Franchise Tax	17	
Sales Tax Suspense	14	
Corp./Employer Suspense	7	
Division Total		**52**
Individual Income & School District Income Taxes		
Administration	7	
Technical/Personal	15	
Suspense	20	
Withholding	11	
1040 Edit/Clerical Support	9	
Division Total		**62**
Personal Property Tax		
Administration	9	
Processing	7	
Public Utility Audit	6	
Property Tax Citation/Comp	6	
Audit & Refund	7	
Division Total		**35**
Sales & Use Tax		
Administration	11	
Operations	9	
Release	8	
Compliance	15	
Division Total		**43**
Tax Discovery		**11**
Tax Equalization		
Administration	5	
Valuation	8	
Exemption & Remittance	7	
Research & Statistics	4	
Division Total		**24**
Taxpayer Service Centers		
Akron	18	
Cincinnati	20	
Cleveland	22	
Columbus	23	
Dayton	19	
Toledo	17	
Youngstown	16	
Zanesville	9	
Divisions Total		**144**
Taxpayer Services/Compliance Administration		**8**
Compliance		
Administrative Review	10	
Individual	19	
Business	27	
Division Total		**56**
Taxpayer Services		
Individual Income	17	
Business	33	
E-Contact	12	
Division Total		**62**
TPS/Compliance Support		**24**
Permanent Employees		**1,356**
Intermittent Employees		**232**
Total Employees		**1,588**

Table 2
Expenditures of the Ohio Department of Taxation by Division, Fiscal Year 2005

Division	Personal Service	Maintenance & Equipment	Total
Administrative	$12,164,163	$3,887,747	$16,051,910
Audit	21,041,288	1,828,466	22,869,754
Business & Corporation Franchise Tax	2,886,154	160,576	3,046,729
Enforcement	1,932,738	252,847	2,185,586
Estate Tax	791,691	43,257	834,948
Excise Tax	2,756,819	457,647	3,214,466
Information Services	19,401,520	5,717,230	25,118,750
Operations	10,366,365	6,436,126	16,802,491
Individual Income & School District Income Taxes	3,263,709	115,523	3,379,232
Personal Property Tax	2,932,664	242,491	3,175,155
Sales & Use Tax	2,782,219	1,463,298	4,245,517
Tax Equalization	1,484,669	60,527	1,545,196
Taxpayer Services/Compliance	17,317,749	1,613,191	18,930,940
Total	**$99,121,748**	**$22,278,927**	**$121,400,675**

Glossary of Terms

The administration of taxes includes a specialized vocabulary not entirely familiar to the average taxpayer. The glossary includes 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 employed in computing corporation franchise tax liability whereby a taxpayer's *nonbusiness* income (e.g. interest, capital gains, etc.) is distributed between Ohio and other states. What is allocated to Ohio is then subject to tax.

Adjusted Gross Income – an amount used in the calculation of an individual's income tax **liability**; 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 this report, apportionment describes a process in computing corporation franchise tax liability whereby a taxpayer's *business* income is distributed between Ohio and other states. What is apportioned to Ohio is then subject to tax.

Assessed value – the taxable value of land and improvements (i.e. buildings) for real property tax, or the taxable value of business property and inventories for tangible personal property tax. The assessed value of real property is set by state law in Ohio at 35 percent of true market value, with some exceptions including certain lands used for agriculture or foresting. This differs from *appraised value*, which is a value determined, in part, by sales of comparable and proximate properties and is generally representative of true market value.

Credit – an amount subtracted from the amount of tax owed (the **liability**), such as child care expenses (for purposes of individual income tax) or research and development loan payments (for purposes of corporation franchise tax).

Deduction – an expense subtracted from personal **adjusted gross income** when calculating taxable income, such as for state and local taxes paid, charitable gifts, or certain types of interest payments.

Destination sourcing – a process of identifying the appropriate rate of sales tax charged as determined by the rate in effect at the destination where a consumer accepts delivery of a taxable item or service, rather than the rate in effect at the location, or source, where the item or service is sold.

Exemption – an amount excluded from taxable personal income, e.g. the personal exemption given to any taxpayer who cannot be claimed as a dependent by another taxpayer (for purposes of individual income tax).

Liability – the amount of a specific tax that a taxpayer owes; this amount can be reduced by deductions and credits.

Lien – an ownership right to a piece of property; e.g., when a financial institution loans money for purchase of a home, that mortgage loan is a lien. Taxing authorities can establish, or place, a lien on the property of a delinquent taxpayer. If the mortgage or loan or tax owed is not paid, the property can be sold to satisfy the lien.

Mcf – 1,000 cubic feet; used to measure natural gas.

Mill – a measurement equal to one-tenth of 1.0 percent; often used to refer to the amount of property tax imposed on real or personal property (e.g., a 2.5 mill tax levy imposed on a home with an **assessed value** of $100,000 amounts to $25 in tax).

Net income – the total earnings or "bottom line" of a business, generally calculated by deducting from total sales the costs of doing business; e.g. depreciation, interest, taxes and certain other expenditures.

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

Nexus – a term 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 **credit** against a specific tax that does not entitle the taxpayer to a refund; when the credit is applied against the liability, if the amount of the credit reduces the liability to less than zero, the taxpayer is not eligible for a refund of the difference.

Permissive tax – a tax that a local political jurisdiction is "permitted" by law to enact, generally a sales tax.

Refundable tax credit – a **credit** against a specific tax that may entitle the taxpayer to a refund; when the credit is applied against the liability, if the amount of the credit reduces the liability to less than zero, then the taxpayer is eligible for a refund of the difference.

Situs – the place where property is physically located, or where a taxable transaction occurs.

Sourcing – for purposes of sales tax, the physical location where a sale occurs or where a sale is designated as having occurred. This may be the physical location of the retailer, referred to as *origin sourcing*. In cases of sales involving delivery of a product or service, the source of the sale is the location to which the product or service is delivered. This is referred to as **destination sourcing**.

Streamlined Sales Tax Project (SSTP) – 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 SSTP is to encourage out-of-state vendors – primarily catalog and Internet retailers – to register with the project and collect the sales tax of Ohio and other states, which these retailers are not currently required to do under federal law.

Taxing district – 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, and school districts.

Tax levy – a piece of legislation that imposes or alters a tax. A levy may be enacted at either the state level, for income or sales taxes, or at the local, political jurisdiction level, such as for municipal or school district income, sales, or property taxes. Local tax levies generally require a vote of the people, are normally for a specific purpose, and are usually for a permanent or specified time period. *Note:* a locally-imposed sales tax is also referred to as a **permissive tax**.

Year in Review

The Ohio Department of Taxation (ODT) began Fiscal Year (FY) 2005 linked firmly to the past but ended the year launched fully into the future.

By year's end, two touchstones of the department — state tax law and the facilities where the department conducts its primary operations — would to a significant degree be deemed obsolete and consigned to a status of times passed. With this shift to the future, ODT found itself working to simultaneously administer and adapt to a major reform of the state's tax laws while also planning a massive move into a new Columbus operations center housing more than 70 percent of the department's staff. And these two developments were just some of the story of FY 2005.

Task: Tax Reform

Governor Bob Taft continued in FY 2005 a push for meaningful modernization and reform of state tax laws that he'd first begun in the assembling of the FY 2004-2005 state budget. The first effort resulted in a number of changes to tax law, largely targeted and specific revisions of varying aspects of a spectrum of different taxes. The renewed push in FY 2005 yielded a vastly different result. The Governor, with key support of legislative leaders and many sectors of the Ohio business community, pulled together a fundamental change in the state's tax structure.

The sweep of tax reform cast in FY 2005 reached back through the years to embrace the spirit and adopt some of the specifics of the many preceding Tax Study Councils (1967, 1982, 1995, 2003). It did not stop there, however. The reforms of '05 moved beyond a cautious tinkering to profoundly touch all of the primary and largest taxes effecting individual and business taxpayers in Ohio (for more specifics, see the **Ohio Tax Reform** chapter in this report). As approved, individuals and businesses paying the Ohio income tax will see rates drop a total of 21 percent over five years. Then simultaneously an even more profound change for business taxpayers will complete in five years the elimination of the corporation franchise tax, while in four years phasing out the tangible personal property tax.

Concurrently, ODT will be phasing in the completely new commercial activity tax (CAT), a broad-based, low rate tax on the taxable gross receipts of most businesses in Ohio. In the years to follow, the reforms chosen in FY 2005 will ultimately lift more than $2.0 billion a year off the current burden of Ohio taxpayers.

Moving Out; Moving In

Many of the tax reform changes affected in FY 2005, as part of the new biennium budget bill for Fiscal Years 2006-2007, would be part of an extended process of phasing-in or phasing-out the changes adopted in law. The move of ODT's operations and processing facility, however, would need to necessarily be accomplished in a much more compressed time frame. Planning for the move would be an extended and exhaustive exercise. The move would take more than 1,000 ODT staff from four locations around Columbus and consolidate them in a renovated building in north Columbus that once housed a department store in a large but now shuttered shopping mall. Many of these staff people had been working in an aging warehouse that ODT had leased for more than 30 years. The new facility is designated as a processing center for nearly all of the tax returns that ODT handles, as office space for multiple divisions within the department, and as one of two Taxpayer Service Centers in Columbus. ODT maintained the Tax Commissioner's and administrative offices, as well as some tax divisions, and a second Taxpayer Service Center in the Rhodes office tower in downtown Columbus.

What a Site: Growing Web Services and Business

ODT continued to expand the menu of electronic services available via its Web site and the Ohio Business Gateway, and the volume of electronic — paperless — transactions continued trending upward in FY 2005.

To the freshly redesigned Web site, ODT added two significant services meant to improve the visitor's experience and provide critical information to determine taxpayer location and the pertinent tax rates anywhere in Ohio. The first feature was added to the Forms section, which is the most visited area of the ODT Web site. Site managers bundled the hundreds of state tax forms in one location and added a search engine to make it easier to find the form a taxpayer needed.

A different service, also dedicated to pinpointing locations, came on-line with a name that simultaneously spelled out the mission. **The Finder** is an on-line service that delivers the tax rate(s) and taxing district for every address in Ohio. The Finder, if given an address, a zip code, or latitude-longitude coordinates, will provide the corresponding tax rate(s) and taxing jurisdiction(s) for three taxes: sales and use, municipal income, and school district income.

ODT, for the first time, took in more state income tax returns electronically than came on paper through the mail. In FY 2005, almost 51 percent of the 5.4 million returns were filed over the Internet or by telephone, an increase of more than 300,000 returns from the previous year. Internet filing options using ODT's **I-File** also expanded to make it available to more income taxpayers and also, for the first time, allowed the filing of school district income tax returns.

The department also saw tremendous growth in electronic filings by business taxpayers using the **Ohio Business Gateway** (OBG). On OBG in FY 2005, the number of registered business users was up nearly 50 percent from the previous year, while the number of tax returns and payments reported more than doubled from FY 2004. While not directly responsible for administering municipal taxes, ODT was a prime contributor of staff and resources to an expansion of OBG to include aspects of municipal taxes on business. The OBG also added the option of requesting an extension to make estimated payments, the first of several planned features to make it more convenient for business taxpayers to comply with the hundreds of tax systems and thousands of tax rules of municipalities in Ohio.

Shifting Landscape: Streamlined Sales Tax

Ohio continued its active participation in the national Streamlined Sales Tax Project (SSTP) in FY 2005, and that prompted new laws designed to keep the

state eligible. The year started with a new and expanded legal definition of food, the result of which made water, chewing gum, ice, high juice-content drinks and certain other consumable products exempt from tax. This change was estimated to save consumers $21 million annually. During the year, two SSTP-related bills became law; both dealt with the "sourcing" of sales and whether and when to charge the sales tax rate where the product is sold (origin-based) or where the purchaser takes possession of the product (destination-based).

The SSTP is an on going effort by nearly all states with a sales tax to create a simpler system of tax rules with hopes of convincing retailers to voluntarily begin collecting the tax. Federal courts have ruled that unless a retailer has a physical presence in a state, the retailer does not have to collect that state's tax. Ohio estimates it loses approximately $500 million of tax annually because certain Internet and catalogue retailers with no physical presence in the state are not collecting sales tax on purchases by customers in Ohio.

Internal Affairs: Continuing on a Path of Progress

ODT's objectives remained fixed in FY 2005 on a future that incorporates contemporary technology and a staff equipped with the resources and training needed to respond effectively and efficiently to taxpayers, tax professionals, and other interested parties. The department continued work toward migrating to an internal information system that consolidated the functions and information now dispersed among multiple systems. As well, ODT continued to rebuild ranks depleted by retirements and attrition toward its approved staff size of 1,381.

Each day, ODT performs its mission of providing quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law. The department also maintains its focus on administering a system of taxes that produces approximately 93 percent of the General Revenue Fund for the State of Ohio.

Ohio Tax Reform

Fiscal year 2005 saw the most sweeping changes in over 30 years to the tax code administered by the Ohio Department of Taxation (ODT). These changes have a direct effect on tax filing in calendar year 2005 for both individual and business taxpayers.

Much of the change was initiated by Gov. Bob Taft in his annual State of the State address in January 2005 and all was eventually enacted by the General Assembly in House Bill 66, the biennium budget bill for Fiscal Years 2006-2007. The law took effect July 1, 2005, the beginning of Fiscal Year 2006.

The major tax components of H.B. 66 provided for tax relief and a revision of the business tax code. These tax reforms were designed to improve the climate for business investment in Ohio.

H.B. 66 substantially modernizes state tax laws, and provides measurable tax relief with cuts to the state income and sales taxes. As well, the budget bill phases out two major business taxes – **corporation franchise** and **tangible personal property** – and phases in the new **commercial activity tax (CAT)** on businesses.

The new **CAT** is a tax on the privilege of doing business in Ohio, structured with a broad base and a low rate. The tax is applied against taxable gross receipts received in an annual or calendar quarter time period. The **CAT** is being phased in over five years beginning July 1, 2005. The **CAT** is imposed on taxable gross receipts in excess of $150,000 accrued in a calendar year.

Most types of businesses are subject to the **CAT,** including sole proprietors, partnerships and corporations.

As enacted in H.B. 66, the **CAT** has a broad base meant to encompass most types of business activity. The following types of businesses will pay the **CAT**:

- Service providers, including medical professionals, attorneys, and accountants.
- Persons engaged in the sale or rental of any type of property.
- Out-of-state businesses that meet any of the following criteria:
  - have more than $500,000 in taxable gross receipts in Ohio.
  - have more than $50,000 in real or personal property in Ohio.
  - expend more than $50,000 in payroll for work in Ohio.
  - conduct more than 25 percent of business activity in Ohio.

The **CAT** has a low rate to discourage tax planning:

- Businesses will pay – when the tax is fully phased in by tax year 2010 – a rate of 0.26 percent on annual gross receipts over $1.0 million.
- Annual gross receipts from $150,001 - $1,000,000 are subject to a minimum $150 tax.
- Businesses with annual gross receipts of $150,000 or less are not subject to the **CAT.**
- The **CAT** rate for the first tax period from July 1 to December 31, 2005 is 0.06 percent.
- The **CAT** rate is subject to adjustment by the Tax Commissioner if revenue collections of the tax are 10 percent or more – greater or lesser – than projections.

The **CAT** has a limited number of exceptions, listed below:

- Nonprofit organizations.
- Financial institutions.
- Insurance companies.
- Affiliates of financial institutions and insurance companies.
- Dealers in intangibles.
- Certain receipts by public utilities that are subject to the public utility excise tax.
- Foreign trade zone areas within one mile of the boundary of an international airport.
- Sales of motor fuel are exempted from gross receipts for two years.

The basis of the tax, a business' gross receipts, is defined as follows:

- The total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income.
- Examples are:
  - sales.
  - performance of services.
  - rentals or leases.
- The calculation for gross receipts is based on what the taxpayer is required to use for federal income tax purposes, i.e., accrual or cash basis.
- There is a deduction for bad debt.

A number of business expenses and profits are not considered to be gross receipts. Examples are:

- Employee compensation, i.e., wages and benefits.
- Interest, dividends, federally-defined capital gains, and distributions.
- Proceeds from loans, stocks, bonds, mutual funds, trusts, pension plans, or certificates of deposit.
- Damages received from litigation.
- Property, money, or other compensation received by an agent in excess of commissions or fees.

Taxpayers will be able to take four credits against payment of the **CAT**. The following credits, which have been part of the **corporation franchise tax**, are allowable beginning July 1, 2008:

- Job Creation Tax Credit.
- Job Retention Tax Credit.
- Credit for Qualified Research Expenses.
- Credit for Research and Development Loan Payments.

Businesses subject to the **CAT** at the time of its enactment were required to register by Nov. 15, 2005. Businesses that subsequently qualify as **CAT** taxpayers are also required to register. Registration includes a one-time refundable fee of $15 for registering on-line or a $20 fee for paper registration. The fee is credited back on the first **CAT** return filed. On-line (electronic)

registration was available July 1, 2005 at the Ohio Business Gateway (**obg.ohio.gov**); paper applications are available on the ODT Web site (**tax.ohio.gov**). All registered taxpayers are scheduled to receive information on filing and payment of the **CAT.**

The first **CAT** returns were due Feb. 10, 2006.

The two current business taxes the **CAT** replaces are being phased out while the **CAT** is being phased in.

- The **corporation franchise tax** is phased out in equal increments over five years beginning in tax year 2006, when the rate will be 80 percent times the liability. The last year of payment of the tax, at a rate of 20 percent times the liability, will be 2009.
- The **tangible personal property** (**TPP**) **tax** on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures is phased out over four years at about 25 percent of the rate annually beginning in tax year 2006, when the total rate will be 18.75 percent. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to **TPP tax**. The last year of payment of the tax, at a total rate of 6.25 percent, will be 2008.

Two key provisions of H.B. 66 provide across-the-board taxpayer and consumer relief.

- The **individual income tax** rate is cut for all tax brackets in increments of 4.2 percent for tax year 2005 (from 2004 rates) and an additional 4.2 percent each year through 2009 for a total cut of 21 percent. Annual incomes of $10,000 or less are exempt from tax.
- The state **sales tax** rate was cut from 6.0 to 5.5 percent. Vendors can still receive a 0.9 percent discount, however, for timely filed and paid sales tax returns.

Other provisions of H.B. 66 increased business property taxes and the tax some consumers pay. Estate taxpayers, however, also received partial relief.

- The **10 percent property tax rollback** on most commercial and industrial real property was eliminated. The rollback remains in effect for residential and agricultural real property.
- A **cigarette excise tax** increase of $.70 was enacted, bringing the total tax to $1.25 per pack of 20 cigarettes. Cigarette wholesalers and retailers must pay the additional 70 cents per pack on cigarettes that were previously taxed but still in inventory at the end of business on June 30, 2005.
- Ohio's additional **estate tax** (sponge tax) is eliminated. The Ohio basic estate tax remains in effect.

A detailed description of how H.B. 66 affects each of the current business and other taxes is contained in the appropriate chapters of this report.

Tax Commissioner William W. Wilkins noted after the passage of H.B. 66 that the challenge to the department was to educate taxpayers and help them understand and adapt to the many changes in the tax code. In total, more than a million pieces of mail were sent out to affected business taxpayers to explain the new tax provisions.

A new tax division was created to administer the **CAT**, and included an initial staff of 13 tax commissioner agents dedicated to responding to telephonic inquiries.

Revenue from Taxes Administered by the Tax Commissioner

The Tax Commissioner's primary responsibility is the administration of state and some local taxes, which yielded approximately $26.3 billion in net collections during the period of this report. Ohio's 2005 fiscal year was the period from July 1, 2004 through June 30, 2005. A breakdown of the collections from these taxes is shown in Table 3 for both state-collected taxes, represented by fiscal year, and locally-collected taxes, on a calendar year basis.

It should be noted, however, that taxes imposed by one level of government may be collected by another, and that taxes collected by one level of government may be shared with another. For this reason, the tax collection figures attributed to state or local governments in the table do not necessarily indicate amounts available for expenditure by either the state or local governments. In addition, some state taxes (specifically, the foreign and domestic insurance taxes, motor vehicle license tax, and liquor gallonage tax) are not administered by the Tax Commissioner but by other state agencies.

Figures for both gross and net tax collections from state-collected taxes are shown in Table 3. Gross collections are equal to total taxes collected, including taxes which were later refunded. Net tax collections are equal to gross collections, less all refunds.

The source for the state-collected taxes in Table 3 is the Office of Budget and Management for both gross and net collections. These figures will differ from data shown elsewhere in this report, which generally represent taxes reported as shown on returns filed during the fiscal year, rather than actual collections during the fiscal year.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately $23.6 billion during the fiscal year. This was an increase of nearly $1.6 billion from the previous fiscal year. Receipts from locally-collected taxes were approximately $2.7 billion in the 2004 calendar year, an increase of about $48 million from 2003.

Table 4 shows state General Revenue Fund revenue sources for Fiscal Year 2005. Excluding federal aid, total revenue amounted to approximately $19.9 billion. As the table shows, the largest single revenue source was the individual income tax, with approximately $8.6 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than $7.8 billion. From the 2004 to the 2005 fiscal years, income tax revenue increased by approximately 11.7 percent, and sales tax collections went up by approximately 3.9 percent.

The chart at the end of this chapter shows the collections of the four largest taxes over the last ten years. During this period, the individual income and sales taxes have shown continuous growth. On the other hand, revenues from the corporation franchise and public utilities taxes have grown very little and overall, have actually declined in the past five years, although revenues for the corporation franchise tax have recovered somewhat over the past three years.

The decrease in public utility excise tax revenue is partially offset by the creation of the kilowatt-hour tax in May 2001, which replaced the excise tax for electric and rural electric companies. The kilowatt-hour tax generated $539.4 million in revenue in FY 2005, but the General Revenue Fund received only about $339.8 million of this amount. The remaining $199.6 million was distributed directly to schools and local governments.

Revenue from taxes administered by the Ohio Department of Taxation comprised 97.4 percent of total General Revenue Fund taxes in FY 2005. Most of the remaining 2.6 percent is comprised of foreign and domestic insurance taxes, which are administered by the Ohio Department of Insurance.

The first pie chart at the end of this chapter illustrates the General Revenue Fund tax sources for the fiscal year. The largest source, individual income tax, accounted for approximately 45.1 percent in FY 2005.

The total revenue from all state tax sources amounted to approximately $23.2 billion. The second pie chart shows the taxes that comprise this total.

Further information on most of these taxes is contained in other Ohio Department of Taxation publications. Some of these publications are available by contacting the Tax Analysis Division, at (614) 466-3960, or they can be viewed at the Department of Taxation's Web site (**tax.ohio.gov**).

Table 3
Collections For Taxes Administered By Ohio Tax Commissioner(a)

State-Collected Taxes	Gross Tax Collections FY 2004	Gross Tax Collections FY 2005	Net Tax Collections (b) FY 2004	Net Tax Collections (b) FY 2005	Percent Change, 04-05
State Sales and Use	$7,881,510,929	$8,194,420,144	$7,834,694,656	$8,131,334,006	3.79%
Local Sales and Use	1,473,267,799	1,496,085,457	1,473,267,799	1,496,085,457	1.55%
Resort Area Excise	867,010	576,330	867,010	576,330	-33.53%
State Individual Income	9,596,789,435	10,486,897,969	8,531,225,265	9,434,451,801	10.59%
Municipal Income Tax for Electric Light Companies	12,063,844	38,997,426	12,063,844	38,997,426	223.26%
Corporation Franchise	1,060,594,780	1,282,059,637	870,585,374	1,111,564,312	27.68%
Motor Vehicle Fuel	1,556,625,290	1,692,110,877	1,536,921,031	1,667,317,568	8.48%
Public Utility Excise	275,811,703	155,842,719	263,335,658	140,887,964	-46.50%
Kilowatt-Hour Excise	538,407,183	539,668,771	538,044,462	539,392,236	0.25%
Natural Gas Consumption	76,392,409	73,653,083	76,318,465	73,653,083	-3.49%
Cigarette Excise	557,569,867	579,111,243	557,542,803	577,698,917	3.62%
Local Cigarette Excise (c)	8,876,679	4,828,428	4,359,108	4,339,306	-0.45%
Dealers in Intangibles	40,636,916	37,158,952	40,636,916	36,557,281	-10.04%
Motor Fuel Use	72,634,227	71,155,211	72,274,428	70,535,922	-2.41%
Alcoholic Beverage Excise (d)	57,396,031	57,653,341	57,233,641	57,653,341	0.73%
Replacement Tire Fee	7,033,672	6,884,011	7,014,156	6,777,487	-3.37%
Local Alcoholic Beverage (c)(d)	5,667,297	6,055,788	5,667,297	6,055,788	6.85%
Horse Racing	15,918,870	14,603,473	15,918,870	14,603,473	-8.26%
Severance	7,529,634	7,597,653	7,529,634	7,597,653	0.90%
School District Income	169,972,590	196,844,221	158,478,482	183,751,845	15.95%
Total	**$23,415,566,168**	**$24,942,204,735**	**$22,063,978,901**	**$23,599,831,196**	**6.96%**

Locally-Collected Taxes	Tax Collections CY 2003	Tax Collections CY 2004	Percent Change, 03-04
Tangible Personal Property	$1,637,418,361	$1,651,707,142	0.87%
Public Utility Property (e)	751,787,109	775,375,587	3.14%
Estate	290,298,945	300,882,945	3.65%
Total	**$2,679,504,415**	**$2,727,965,674**	**1.81%**

(a) Sources: For state-collected taxes, Office of Budget and Management. For locally-collected taxes, Department of Taxation.
(b) Gross tax collections less refunds.
(c) Collected for Cuyahoga County.
(d) Excludes tax on liquor since it is administered by the Department of Commerce, Division of Liquor Control.
(e) Consists of tangible personal property taxes levied for collection in the following year.

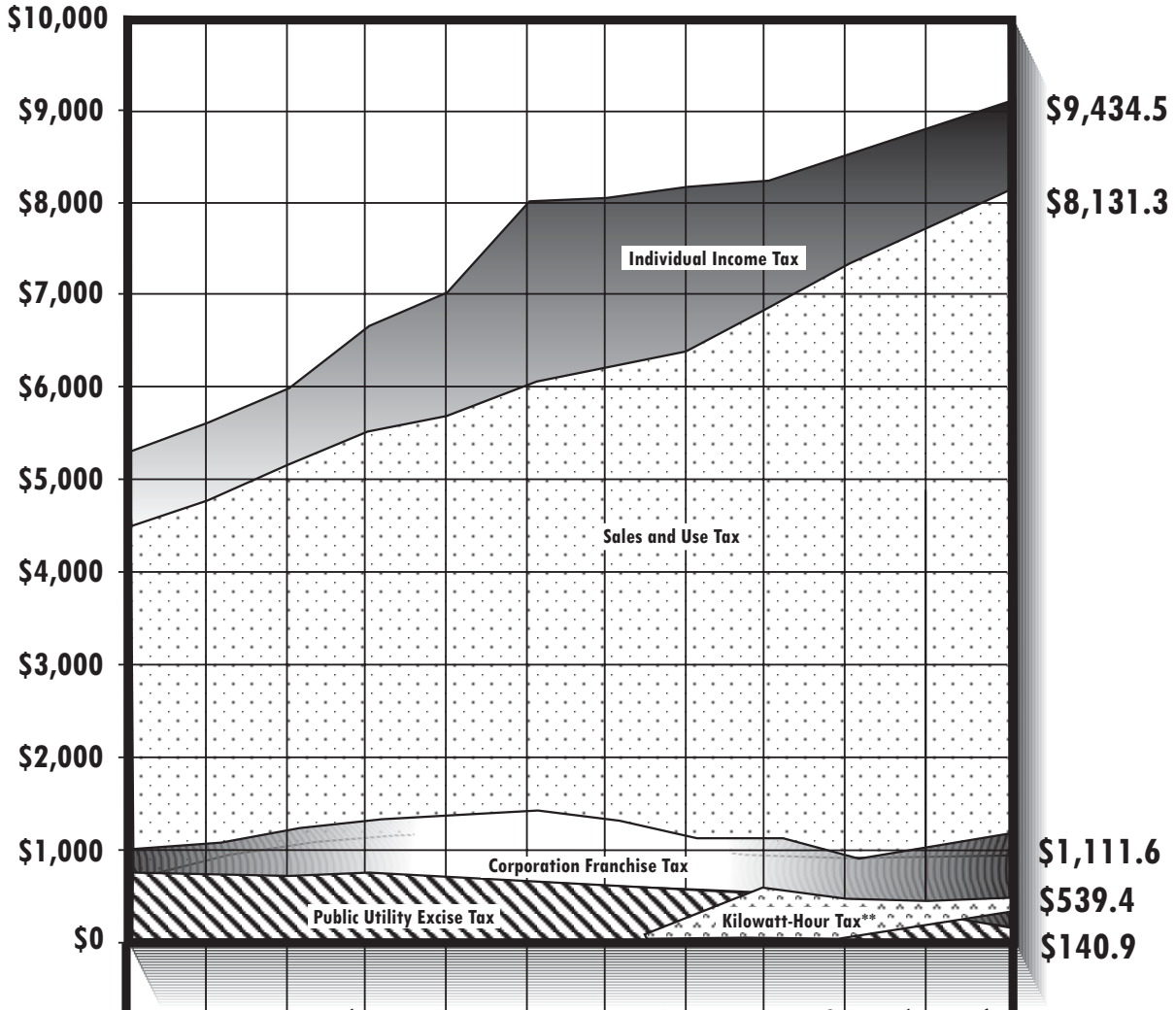
Table 4
General Revenue Fund Sources
Fiscal Year 2005 (excluding federal aid)

Revenue Source	FY 2005 Collections
Individual Income Tax	$8,598,864,829
Sales and Use Tax	7,827,129,694
Corporation Franchise Tax	1,051,619,507
Public Utility Excise Tax	104,102,482
Kilowatt-Hour Excise Tax	339,817,109
Cigarette Tax	577,671,420
Alcoholic Beverage Taxes (including liquor gallonage)	88,993,942
Total	**$18,588,198,982**
Miscellaneous:	
Domestic Insurance Tax	$171,363,832
Estate Tax	60,381,210
Foreign Insurance Tax	242,856,184
Dealers in Intangibles Tax	25,195,680
Total	**$499,796,906**
Non-Tax Revenue Sources:	
Earnings on Investments	$34,985,697
Liquor Profits	115,000,000
Miscellaneous*	665,804,599
Total	**$815,790,295**
GRAND TOTAL	**$19,903,786,184**

NOTE: All amounts are after refunds.

* Includes certain transfers into the General Revenue Fund, licenses and fees, and other income.

Chart
Revenue Collections: Sales and Use, Individual Income, Corporation Franchise, and Public Utility Excise and Kilowatt-Hour Taxes, Fiscal Years 1995 - 2005
(figures in millions)



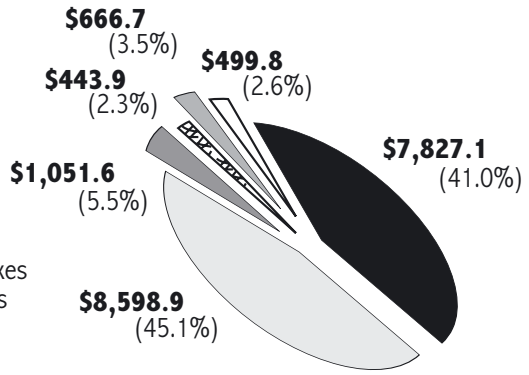
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Individual Income Tax	$5,457.4	$5,884.8	$6,018.5	$6,946.2	$7,173.8	$8,084.6	$8,119.3	$8,157.1	$8,256.5	$8,531.2	$9,434.5
Sales and Use Tax*	4,742.5	4,981.1	5,223.0	5,535.1	5,827.4	6,214.0	6,237.1	6,435.0	6,701.4	7,834.7	8,131.3
Corporation Franchise Tax	1,112.0	1,181.7	1,220.3	1,268.7	1,150.3	1,029.9	937.0	774.4	808.3	870.6	1,111.6
Public Utility Excise Tax	707.3	653.5	672.9	708.0	670.6	675.3	674.3	300.0	255.5	263.3	140.9
Kilowatt-Hour Tax**	—	—	—	—	—	—	38.0	569.2	539.4	538.0	539.4

* Temporary two-year rate increase from 5% to 6% effective July 1, 2003. A permanent rate of 5.5% became effective July 1, 2005 (Fiscal Year 2006).

** Replaced the public utility excise tax on electric and rural electric companies, effective May 1, 2001.

General Revenue Fund Tax Sources

Fiscal Year 2005
(figures in millions)



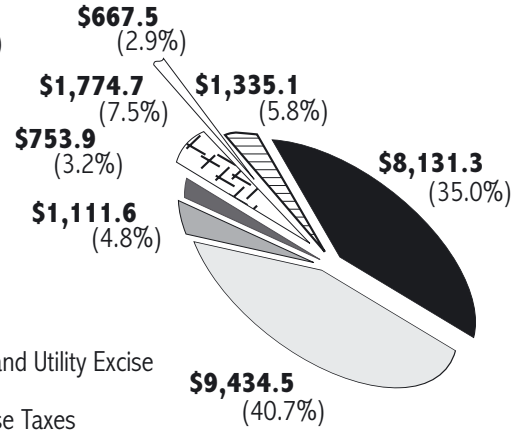
- Sales and Use Tax
- Individual Income Tax
- Corporation Franchise Tax
- Kilowatt-Hour and Utility Excise Taxes
- Cigarette/Alcoholic Beverage Taxes
- All other Taxes*

Total $19,088.0 million

* This figure is comprised of the following state tax revenue sources: domestic insurance, foreign insurance, estate, and dealers in intangibles taxes.

All State Tax Sources(a)

Fiscal Year 2005
(figures in millions)



- Sales and Use Tax
- Individual Income Tax
- Corporation Franchise Tax
- Natural Gas, Kilowatt Hour, and Utility Excise Taxes
- Motor Vehicle Fuel & Fuel Use Taxes
- Cigarette/Alcoholic Beverage Taxes(b)
- All other Taxes(c)

Total $23,208.6 million

(a) Includes revenue distributed to non-General Revenue Fund accounts.

(b) Includes tax on liquor of approximately $32.2 million which is administered by the Department of Commerce, Division of Liquor Control.

(c) This figure is comprised of the following state tax revenue sources: motor vehicle license, dealers in intangibles, estates, horse racing, foreign insurance, domestic insurance, severance, and replacement tire fee. It excludes all locally-imposed taxes, such as permissive sales and use and local alcohol and cigarette taxes.

Summary of Legislation

Amended Substitute House Bill 168, 125th General Assembly (effective June 15, 2004). Revised Code Sections: Various.

The bill amends various sections of the Revised Code dealing with county investment authority and education for county treasurers. Many modifications regarding delinquent real property tax certificates were made as well. Revised Code section 4503.06(H) defines the specific point in time at which a foreclosure takes place for a manufactured home considered as tangible personal property. The bill also clarifies that manufactured homes treated as real property are entitled to the 10 percent reduction allowed for all real property.

Substitute H.B. 362, 125th General Assembly (effective December 30, 2004). Revised Code Sections: Various.

School District Levy Provisions (R.C. 3318.05, 3318.052, 3318.08, 3318.44, 5705.21, Section 4).

The term "general on-going permanent improvements" was changed to "general permanent improvements" for school districts levying a property tax levy. While the change means that the levy is not tied to one specific purpose, it does not expand the number of purposes for which the tax levy is imposed. The general permanent improvements levy may be imposed for a continuing period of time. The bill allows the proceeds from any permanent improvement levy to provide the school district funding portion for the Ohio School Facilities Commission costs.

Municipal Income Tax Changes (R.C. 718.02, Section 6).

The bill provides for the add-back of tax exempt stock options when apportioning business net profit among two or more municipal corporations. The add-back applies where the stock option is granted to an employee and the employee is not required to pay municipal income tax because the municipality exempted stock options from municipal income taxation. The business must add the amount exempted from taxation on the employee by the municipality to the amount of the employer's net profit apportioned to that municipality. This provision went into effect immediately.

Prior law provided that a "taxpayer," i.e. any person that is subject to a tax on income levied by a municipal corporation, does not include any person that is a disregarded entity for federal income tax purposes. In a provision that took effect immediately when H.B. 362 became law, the act provides that a single member (single owner) limited liability company (LLC) that is a disregarded entity for federal tax purposes may elect to be a taxpayer, separate from its single member, in all Ohio municipal corporations in which it does business and was either filing as a separate taxpayer or not filing at all. The election is contingent on five conditions being met by the LLC and its single owner.

Lottery Prize Awards (R.C. 3770.07, 3770.10, 3770.12, and 3770.121).

Under prior law, lottery prize awards were not assignable or subject to any of the procedures used under bankruptcy to collect assets. The bill permits lottery prize awards to be assigned to another pursuant to a bankruptcy court order.

The bill also expands the conditions for the transfer of lottery prizes that are paid in installments. The transfers are subject to withholding (including offsets for child support, state taxes, etc.) and the maximum permissible number of transfers is three, unless a greater number is allowed by the Lottery Commission by rule.

State Corporation Franchise Tax and Income Tax Laws Incorporate Federal Law Changes (R.C. 5733.04, 5747.01 and Sections 5 and 6).

Under a 1992 Ohio Supreme Court decision, state law that used the term "as amended" regarding a federal law did not constitute an unlawful delegation of state authority and was not unconstitutional because the General Assembly only intended to adopt the federal law as it existed at the time that the Ohio law that referenced federal law was amended. The Ohio law therefore did not automatically incorporate future changes to the federal law. In essence, Ohio law is "de-coupled" from federal law. Therefore, in order to incorporate federal law changes, the General Assembly must periodically amend the Ohio Revised Code sections that reference federal law. H.B. 362 did this in order to incorporate recent federal legislation (the Working Families Tax Relief Act of 2004 and the American Jobs Creation Act of 2004) into Ohio corporation franchise tax law and Ohio individual income tax law.

Employee Job Training Tax Credit (R.C. 5733.42).

The application for the Employee Job Training Tax Credit under prior law was on a first-come, first-served basis. That system proved unwieldy. This bill requires the Director of Job and Family Services to adopt rules for the criteria and distribution of the credits, after consultation with the Tax Commissioner and the Superintendent of Insurance.

Amnesty for Re-filing Applications for Exemption of Real Property (Sections 3 and 6).

The bill enacts a provision that intends to mitigate the effects of *Cleveland Clinic Foundation v. Wilkins,* 103 Ohio St.3d 382, 816 N.E. 2d 224 (2004). That decision determined that providing a statement from a county treasurer certifying that all taxes, special assessments, penalties and interest had been paid in full (or were subject to a valid delinquent tax contract with the county treasurer) was a jurisdictional requirement. This means that all taxes, interest, etc. had to be paid in full and certified as such at the time that the exemption application was filed, or the Tax Commissioner would dismiss the application. A large number of exemption applications were dismissed as a result. The bill provides an amnesty for those taxpayers whose applications for exemption were dismissed. New applications with the county treasurer's certification could be filed until July 1, 2005. The new applications were reviewed and a final determination was issued as though the application were complete and timely filed the first time. The bill also provided specific instructions regarding refunds, distribution, and other administrative issues.

Substitute H.B. 425, 125th General Assembly (effective April 27, 2005).
Revised Code Sections: Various Sections under Chapters 3901, 3905, 3929, 3951, Section 3.

Most of the bill deals with mine subsidence insurance, coverage, reinsurance, and other issues relating to mines. The nonrefundable coal tax credit, used by electric companies for their coal-fired electric generating plants, was extended from December 31, 2004 to December 31, 2007 in the bill. The prior $3.0 per ton credit, however, will be reduced to $1.0 per ton in tax years 2006-2008 (credits earned in the 2005-2007 years).

Am. Sub. Senate Bill 189, 125th General Assembly (effective June 29, 2004; Section 75 and certain other sections effective March 30, 2004). Revised Code Sections: Budget Corrections Bill/Various Sections. The bill addresses numerous changes throughout the various Ohio departments. The tax related changes are enumerated below:

Administration Fees for Estate Tax (R.C. 5731.47, 5731.48).
The bill modifies the way the administrative fees for the estate tax are paid to county sheriffs and other officers who provide services, as well as county auditors who perform estate tax administrative functions. The local governments now pay 80 percent of the fees and the state pays 20 percent, commensurate with the distribution of the tax.

State Racing Commission (R.C. 3769.087).
Under former law, horse racing permit holders had to retain ½ of 1.0 percent of the monies wagered for each day of racing other than the monies for win, place or show. The Tax Commissioner received ¼ of this money as a tax, which was paid into the State Racing Commission Operating Fund. The remaining ¼ percent was used by the permit holder for specified purposes. Am. Sub. H.B. 95 changed the distribution so that the Tax Commissioner received the entire ½ of 1.0 percent which was to be deposited into the State Racing Commission Operating Fund for the July 1, 2003 through June 30, 2004 period. Am. Sub. S.B. 189 extends the period to June 30, 2005.

Lottery Awards (R.C. 3770.07).
The act extends the time within which active duty military personnel may claim a lottery prize award. Normally, that time period is 180 days. For active duty military personnel, the act extends the number of days to 540.

Sub. S.B. 218, 125th General Assembly (effective April 29, 2005; certain sections effective January 28, 2005). Revised Code Sections: 5703.70, 5739.033, 5739.034, 5739.17, 5740.05, 5740.08, 5741.05; enacts 5739.035, 5739.123, 5739.24, 5740.09 and 5740.10.
The act addresses the transition from origin-based sourcing of sales to destination-based sourcing of sales in order to comply with the Streamlined Sales Tax Agreement (SSTA), commonly referred to as the Streamlined Sales Tax Project (SSTP). The act requires the Tax Commissioner to work with other states that are SSTP compliant to adopt an amendment that allows smaller vendors to continue origin-based sales. The act also established a six-month compensation mechanism for vendors who incurred expenses in order to switch to destination sourcing (see also further changes to destination sourcing in the discussion of S.B. 26, below).

Small counties that experience a loss of sales tax revenue from implementing of the SSTP also receive permanent compensation under the act. Qualifying counties have a population of less than 75,000 and have sales tax losses of at least 4.0 percent due to destination sourcing.

Sub. H.B. 2, 126th General Assembly (effective June 2, 2005). Revised Code Sections: 5747.026, 5747.08.
The act expands the number of military personnel who qualify for an extension when filing and paying their income tax return. All active duty National Guard members and members of reserve units of the U.S. Armed Forces are eligible for the extension. (The extension is not limited to Operation Iraqi Freedom.) Additionally, the extension applies to the member's spouse if they file "married filing jointly." The extension also applies to the school district income tax, if applicable.

Am. Sub. H.B. 16, 126th General Assembly (effective May 6, 2005; tax provisions and sections 38.01 and 40.01 effective February 3, 2005). Revised Code Sections: Capital Appropriations Bill/Various Sections.
This bill addresses numerous issues. The relevant tax sections follow.

State Claims Against Lottery Awards and Tax Refunds (R.C. 3770.073, 5733.121, and 5747.12).
This act extends the list of state debts that may be collected from a lottery award prior to distribution to the award recipient and those that may be offset against various tax refunds (corporation franchise, state income, worker's compensation, etc.). The new addition is for certified claims to the Attorney General including any tax liability that is a pre-petition bankruptcy debt. The Tax Commissioner may charge other agencies for costs associated with offsetting the various debts, and is authorized to adopt rules to do so. The rules may also address situations where there is a joint income tax refund, but the tax liability is not jointly owed.

Delinquent Property Tax Collection Funds (Section 40.01).
Under continuing law, a county treasurer and county prosecutor share in the use of the county's delinquent tax fund to pay for their delinquent property tax collection responsibilities. The act allows smaller counties a one-time opportunity to distribute excess funds from that account to the taxing units in the county. The act also provides the method of determination of excess funds and the amounts to be distributed.

Tax Increment Financing (R.C. 5709.75, 5709.91, 5715.70 and 5715.701).
Current law allows townships, counties and municipalities to exempt real property improvements from taxation through a mechanism known as Tax Increment Financing (TIF) and to accept payments in lieu of the tax that would have been paid absent the TIF. Those monies are used for public infrastructure improvements that benefit the exempted property. H.B. 16 allows certain townships to use money in a special TIF fund to pay for current public safety expenses under specified conditions.

For enforcement purposes, the act also creates a lien that can be filed against the property to guarantee minimum service payment obligations. This new lien has the same legal status as a lien for property taxes.

Additionally, the act contains provisions that allow a county board of revision to release a property tax lien where the lien is a result of the cost of environmental cleanup paid by the government and the amount of the lien is equal to or greater than 12 times the fair market value of the property at issue. Administrative procedures detail the release and transfer to a subsequent owner.

Sub. S.B. 26, 126th General Assembly (effective June 2, 2005). Revised Code Sections: 5739.033(A) and (B), 5739.035, section 3, 5740.10, 5739.24.

The act establishes a period during which vendors with total Ohio taxable sales of $1.0 million or more must make the transition to destination-based sourcing of their sales. Prior to S.B. 26, all vendors had to switch to destination sourcing by July 1, 2005. Under S.B. 26, vendors would instead be required to switch to destination sourcing according to a schedule based on the vendor's amount of calendar year delivery sales. Vendors with more than $30 million in delivery sales in 2005 must switch by May 1, 2006; vendors with more than $5.0 million but less than $30 million in delivery sales in 2006 must switch by May 1, 2007; vendors with less than $5.0 million in delivery sales in 2006 (all remaining vendors) must switch by January 1, 2008. As a result of these changes, Ohio is an associate member of the SSTP, not a full member, until January 1, 2008.

Due to the delay in switching to destination sourcing, there will also be a delay in the compensation paid to eligible counties (less than 75,000 in population, 4.0 percent or more reduction in sales tax revenue) and vendors.

Service & Support

Service & Support

Audit Division

The Audit Division began operating on July 1, 2001 as a direct result of one of many objectives that were born from the department's Strategic Planning retreat in January 2000. The vision behind the establishment of the Audit Division was to create a tax auditor agent series that would allow employees with the education, experience and proficiency in auditing the major Ohio business taxes (sales and use tax, personal property tax, corporation franchise tax, pass-through entity tax, and employer withholding tax) the opportunity to devote most of their time to "field" auditing.

The emphasis on field auditing accomplishes three objectives which align themselves with the department's goals of "enhancing taxpayer services and taxpayer compliance with Ohio tax law" and "modernizing Ohio tax laws and the department's operations." One, it reestablishes a greater face-to-face contact with the taxpayers. Second, it enhances the ability to educate these taxpayers on the ever-changing revisions to the Ohio statutes. Third, it educates the department on critical tax issues that will help improve how it administers the Ohio tax law.

In order to accomplish these objectives, the Audit Division has placed a special emphasis on the following initiatives:

- Create and use audit project plans for each audit assignment that guide auditors to better plan the scope of an audit, establish a timeline of deliverables to move the audit efficiently to a conclusion, and project and track the number of hours used to complete such assignments.
- Permit auditors to share their preliminary proposed audit findings prior to a formal review by the audit review staff, to encourage an interaction between auditor and taxpayer on the exact nature of audit issues.
- Enhance the use of a resolution process to address audit issues more quickly and efficiently in order to avoid lengthy and costly litigation.
- Increase the use of electronic downloads of taxpayer data in order to move audits to a quicker completion with more accurate results, and with fewer hours expended by all parties. This enables the department to more efficiently use its audit hours and thereby provides an opportunity to expand the audit base. A Computer Audit Assistance Group has also been created that helps auditors and taxpayers through these types of audits.
- Create basic and advanced tax-type courses and auditing courses to help auditors identify substantive audit issues and cross-tax initiatives. Every auditor is required to have knowledge in all business tax-types outside their previous tax expertise area.
- Create and implement a new audit template for each of the business taxes that the division audits.
- Enhance the division's audit selection capabilities to encourage auditing of a larger percentage of businesses.

In Fiscal Year 2005, the Audit Division numbered 301 employees. During the fiscal year ending June 30, 2005, the Audit Division completed the following types of audits:

Tax Type	Total Audits
Sales and use	1,249
Personal property	1,162
Corporation franchise	2,082
Pass-through entity	252
Employer withholding	127
Other	5
Totals	**4,877**

In addition, the Audit Division will assist the department in the upcoming year in developing an audit strategy for the newly enacted commercial activity tax.

Budget and Fiscal Division

The Budget and Fiscal Division is comprised of four subordinate units that are directly responsible for internal financial management in the Department of Taxation, as well as for the distribution of tax revenues. The division also oversees facilities and record-keeping activities. Budget and Fiscal's subordinate units are: Budgeting and Accounts Payable, Facilities Management, Revenue Accounting, and Records Management.

Budgeting and Accounts Payable

This unit prepares and monitors the department's budget for each fiscal year of a biennial budget cycle. The unit's primary responsibilities include managing acquisitions, preparing purchase orders, processing invoices and administering travel expenditures. The unit also administers the department's payment cards, petty cash funds, and contracts.

Facilities Management

The facilities unit is responsible for managing, equipping, and maintaining the department's office facilities, providing office supplies, coordinating safety and security, keeping an inventory of assets, and managing the vehicle fleet.

Revenue Accounting

This unit accounts for all tax revenue receipts, reconciles the revenues, and then makes distributions to the state and local governments. The unit also works with bad check processing and resolution.

Records Management

The records unit is responsible for the proper identification, maintenance of record retention schedules, and disposal of the department's public and nonpublic records.

The Budget and Fiscal Division performs varied internal financial, accounting, and facilities management functions that help the department run its day-to-day operations while fulfilling the essential function of providing operating funds for both state and local governments.

Communications Office

The Communications Office of the Department of Taxation serves to convey ODT's policies and procedures to the news media and the general public while providing news and information to department staff about job-related topics and the people employed in the department.

The office issues news releases to state and local media to highlight significant events and policy changes, arranges news conferences or events to spotlight major issues, and is the first line of contact in responding to media questions and requests for interviews.

A wealth of general public information about ODT and the taxes it administers, including the latest tax news and information updates, frequently-asked-questions, contact information, and historical statistics, is available on the department's Web site, **tax.ohio.gov**. The content of this increasingly important resource is managed by the Communications Office, with the support of liaisons in every division who provide updates in their specific areas. In Fiscal Year 2005, the Web site registered over 4.5 million visits, an increase of more than 1.2 million from the prior fiscal year. An internal Intranet site, TAXI, provides a data base of department and job-related information, while at the same time as serving as an electronic bulletin board of upcoming events.

Several publications coordinated and prepared by the Communications Office provide specific tax and statistical information to both the public and private sectors. These publications include the yearly *Annual Report* and *Ohio's Taxes: A Brief Summary of State and Local Taxes in Ohio* as well as the periodic *Business Tax Guide* and several other informational brochures and papers.

Communications publishes a monthly newsletter, **The Collector**, in both a print and an electronic version. This publication serves the department's employees by reporting significant professional and personal milestones, updates on new procedures or procedural changes, and articles on departmental programs. The TAXI Intranet site also contains a weekly feature story on people and events within the department. As of June 30, 2005, five full-time employees worked in the Communications Office.

The Communications Office uses news releases, media events, the Internet and Intranet, and publications to support the primary ODT mission of providing quality service through the timely delivery of information to both external and internal audiences that helps everyone understand their responsibilities and comply with the tax law.

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 five areas: the Problem Resolution Office, Appeals Management Division, Bankruptcy Division, and the Tax Appeals Division, as well as Legal Counsels that provide assistance with specific taxes.

The Office of Chief Counsel is also responsible for enacting, amending or rescinding rules promulgated by the Tax Commissioner (see **Rule Review** chapter) and shares responsibility for the issuance of information releases with other divisions of the department.
Note: all case information shown below is on a calendar year basis.

Appeals Management Division
The Appeals Management Division serves as 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 Ohio Supreme Court. In April 2005, the Resolution Unit was added to the division to work with the Offers in Compromise program and settlements of assessments certified to the Attorney General's office. The Appeals Management Division had seven employees as of June 30, 2005.

Board of Tax Appeals	Courts of Appeals	Ohio Supreme Court
Cases on appeal beyond Taxation as of 12/31/04:		
342	**2**	**17**
as of 12/31/03:		
323	**0**	**32**

Bankruptcy Division
The Bankruptcy Division handles the filing of the department's Proofs of Claims with various Bankruptcy Courts throughout the country. The Bankruptcy Division had eight employees as of June 30, 2005.

Bankruptcy Proofs of Claims Handled by Bankruptcy Division

Cal.Yr. Filed	Total Notices Received	Total Proofs Processed	Total Amount Filed
2004	10,870	2,909	$117,265,290
2003	8,796	2,042	$56,822,036

Problem Resolution Officer
The Problem Resolution Officer (PRO), assigned to the Office of Chief Counsel, is a special resource for taxpayers. This individual serves as a liaison between the Ohio Department of Taxation and taxpayers when the normal lines of communication break down. The PRO is authorized by Ohio

Revised Code section 5703.52, which states that the PRO or additional persons designated for this office "shall receive and review inquiries and complaints concerning matters that have been pending before the department for an unreasonable length of time or matters to which a taxpayer has been unable to obtain a satisfactory response after several attempts to communicate with the employee of the department assigned to the taxpayer's case or the employee's immediate supervisor."

The PRO works with the appropriate employees and the taxpayer to determine the precise circumstances of their issue and to arrive at the appropriate resolution. Education and explanation regarding the applicable laws and rules are key parts of this process. Most tax situations can be reviewed by the PRO, except for appeals of final determinations of the Tax Commissioner or cases certified to the Ohio Attorney General for collection. The PRO is available to assist taxpayers by mail, telephone, or through the department's Web site.

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. The Tax Appeals Division had nineteen hearing officers and supervisors and three support staff as of June 30, 2005.

Final Determinations Issued by Tax Appeals Division

Cal. Yr.	Opening Balance	Cases Received	Cases Out	Ending Balance
2004	756	1,422	1,040	1,138
2003	1,073	861	1,178	756

Legal Counsels
The Department of Taxation has eight legal counsels. They are responsible for drafting and reviewing legislation, rules, and information releases. The counsels also draft formal and informal tax opinions.

Legal counsels are assigned to the Personal Property Tax, Office of Chief Counsel, Estate Tax, Sales/Use Tax, Tax Equalization, Compliance, Legislation, and Individual Income/Corporation Franchise Tax divisions.

Formal Tax Commissioner Opinions Issued
Calendar Year 2004: 6
Calendar Year 2003: 5

The Office of Chief Counsel provides the legal support necessary to carry out the Department of Taxation's mission of providing quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

Information Releases Issued / Updated in Fiscal Year 2005:

General Information Releases
"Ohio Budget Bill (Fiscal Years 2006-07); Major Ohio Tax Law Changes," June 22, 2005.

Corporation Franchise Tax
CFT 2004-02, IT 2004-02 – "Income and Franchise Tax Updates," December 30, 2004.

CFT 2004-03 – "Questions Regarding Ohio's Manufacturing Machinery and Equipment Tax Credit – R.C. 5733.33 & 5747.31," September, 2004; **revised**, February, 2005.

Estate Tax
None.

Excise and Motor Fuel Taxes:

Alcoholic Beverages
None.

Cigarette and Other Tobacco Products
XT 2005-05 – "Cigarette Tax Increase for All Ohio Non-Stamping Cigarette Wholesalers," June 23, 2005.

XT 2005-04 – "Cigarette Tax Increase for All Ohio Stamping Cigarette Wholesalers," June 23, 2005.

XT 2005-03 – "Cigarette Tax Increase for All Ohio Cigarette Retailers," June 22, 2005.

Motor Vehicle Fuel Tax
XT 2005-07 – "Fuel Tax Surcharge Reduction for IFTA Accounts," June 30, 2005.

XT 2005-06 – "Fuel Tax Surcharge Reduction for Ohio Fuel Use Tax (FUT) Accounts," June 30, 2005.

XT 2005-08 – "Motor Fuel Shrinkage Allowance Reduction for Oho Motor Fuel Dealers," June 28, 2005.

XT 2005-02 – "Motor Fuel Tax Increase," June 3, 2005.

XT 2005-01 – "Proper Reporting of Biodiesels (Including Soy Oil and Soy Diesels)," May 16, 2005.

XT 2004-03 – "Motor Fuel Tax Refund Claims for Agricultural, Industrial, and Miscellaneous Refund Claimants," August 6, 2004.

Replacement Tire Fee
None.

Ohio Income Tax
IT 2004-02, CFT 2004-02 – "Income and Franchise Tax Updates," December 30, 2004.

Fiduciary
None.

Property Taxes:

Personal Property
PP 2005-01 – "Valuation of Personal Property in a Lump-Sum Transaction Involving a Complete Business, Division, or Entire Plant," January, 2005.

PP 2004-02 – "New Requirements in Filing 2005 Personal Property Tax Returns," December 29, 2004.

Real Property
RP 2004-01 – "Amnesty for Real Property Tax Exemption Applications Dismissed Pursuant to *Cleveland Clinic Found. v. Wilkins*, 103 Ohio St.3d 382 (2004)," December 30, 2004.

Sales and Use Tax
ST 2005-04 – "Information Retention and Sharing Practices Related to Sales and Use Tax," May, 2005.

ST 2005-03 – "Electronic Payment Methods," May, 2005.

ST 2005-02 – "Exemption Certificate Forms," May, 2005.

ST 2005-01 – "Vendor Compensation," April, 2005; **revised**, July, 2005.

ST 2004-03 – "Internet Service Provider's Equipment," December, 2004.

ST 2004-02 – "Sourcing Law Change Update," August, 2004; **updated**, June, 2005.

Employee Development & Training/Quality Programs Division

The Employee Development and Training/Quality Programs (ED&T/QP) Division provides practical and applied professional skill development opportunities for all Department of Taxation employees.

The division works with the tax administration and service and support divisions to assess their ongoing organizational and staff development needs. It presents appropriate training for bargaining unit clerical/support and administrative staff, and exempt professional and management/executive staff.

ED&T staff also coordinates with ODT's Technical Training Managers to support technical training requirements throughout the department. This training includes job-related skill training as well as general skills improvement training in such areas as interpersonal communications and customer service.

Further, ED&T offers supervisors and managers the opportunity to enhance their management skills by attending some or all of the classes comprising ODT's Management Development Curriculum – a series of discrete topic workshops designed to focus on various aspects of the manager's responsibilities in a public organization.

Other ED&T responsibilities include:

- Facilitating ODT's applications to the Ohio Award for Excellence (OAE), as well as providing training and staffing support to ODT's quality process improvement initiatives, including the Quality Services through Partnership (QStP) program.
- Coordinating ODT's involvement in the statewide Public Practice Continuing Legal Education (PP/CLE) Coalition, including presenting a minimum of two Public Practice CLE seminars per year, as well as the department's participation in other professional development programs available to state employees.
- Providing a range of career development services for ODT employees including coordinating the Workforce Development program for bargaining unit employees and both the State of Ohio's Exempt Professional Development Program (EPDP) and ODT's TaxTAP tuition reimbursement program for exempt employees, as well as providing individual career counseling and group career development workshops.
- Several additional corporate citizenship and job enrichment/employee recognition programs are administered or facilitated by ED&T including: annual employee recognition and biennial 25-year employee recognition programs, the "PEP" employee recognition program and the department's "Partners In Education" and "OhioReads" programs. Annually, the ED&T staff also manages the three major statewide charitable campaigns – Operation Feed, the Combined Charitable Campaign and the Holiday Food Basket drive throughout the department.
- One of the division's most effective services is the coordination and maintenance of a department-wide learning management system (LMS) called TrAX. This LMS supports the goals of employee career and personal growth by supplying the workforce with a tool that can be used to manage training requirements and career development plans. The ODT management team can use the LMS to support succession planning, track employee progress toward achieving training goals, and to conduct unit competency gap analysis. It also serves as a platform for on-line training.

The accomplishments of the ED&T/QP Division in providing practical and applied professional skill development for ODT employees are a major component of providing quality service to the citizens of Ohio by supporting high standards of competence and professionalism within the department.

Enforcement Division

The Department of Taxation's Enforcement Division is comprised of 26 sworn police officers that enforce the criminal provisions of Ohio tax laws. Their mission statement is "...to provide quality investigative services to the citizens of the State of Ohio."

The Enforcement Division came into existence in 1971, when it was organized primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown in size and responsibilities. The Enforcement Division now enforces most of the taxes administered by the department, which include the cigarette tax, other tobacco products tax, motor fuel tax, income/withholding tax, and the sales and use tax.

In July 2002, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA). The Enforcement Division is the only revenue-type division in the world with this distinction. The accreditation means the division has met stringent guidelines related to policies and procedures governing the operation of a law enforcement agency. This is an important factor in helping the department achieve the highest level of professionalism possible. During Fiscal Year 2005, the division's policy and procedures, management, operations, and support services were again evaluated by CALEA. The Enforcement Division received re-accreditation in July 2005.

As investigations are made more and more complex by changes in both technology and law, the Enforcement Division has had to become more skilled in combating tax fraud. Enforcement agents employ computers and surveillance equipment in the normal course of their duties. The division has also taken on a homeland security function, through the investigation of cigarette smugglers involved in funneling proceeds to criminal or terrorist groups.

The Enforcement Division is a support branch of ODT. It is, also, a revenue generator for the State of Ohio. During FY 2004 and 2005, over $10 million was brought in as a direct result of Enforcement's efforts.

By fulfilling its mission of providing quality investigative services, the Enforcement Division works to fairly apply the tax law and aid in the collection of taxes used to provide daily services to Ohio citizens.

Forms Division

The Forms Division produces hundreds of forms utilized by most divisions of the Department of Taxation. These forms are ultimately used by tax practitioners and taxpayers.

The Forms Division is responsible for composing forms, preparing bid specifications for printing projects, ordering forms for various divisions, distributing forms, acting as a forms liaison between third-party vendors and payroll processing companies, and maintaining an inventory of forms.

When forms are requisitioned, a division submits a work order to the Forms Division. The form is edited and proofread for typographical and other errors, and a print order is submitted to the printer. At this point, the Forms Division is responsible for tracking form production and ensuring on-time delivery. Often, the Forms Division needs to compose or recreate forms in order to ensure consistency of style throughout the department.

The Forms Division continues to improve upon existing forms. For example, one work in progress is constructing fill-in forms. Many of the department's forms have already been completed, while more fill-in forms are being created. Abbreviated tax instruction forms have been created that, since the filing period for tax year 2003, are mailed to taxpayers who filed electronically in the previous year. The division also produces a compact disc (CD) each year, which contains the most common forms requested by tax practitioners. This CD is distributed to practitioners and anyone else who requests a copy.

Distributing most major forms and handling forms requests from the general public are other responsibilities of the Forms Division. The division also maintains the forms inventory, which entails overseeing a database of forms and envelopes, and a database of practitioners, libraries, post offices, and banks, as well as handling internal forms distribution and supplying taxpayer service center office requests. The forms section on the department's Web site is the most visited area of the site. It is the division's responsibility to continue to make sure that the most up-to-date forms are available on the Web site.

Providing forms for both departmental and public use, the Forms Division is one means by which the Department of Taxation is able to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

Human Resources Division

The Human Resources Division is the office in the Department of Taxation where employee-related and administrative support services reside.

The department employed 1,356 permanent employees and 232 intermittent employees as of June 30, 2005, located throughout Ohio and in three out-of-state locations. The number of auditor agents and tax commissioner agents has grown steadily over the past four years. These are employees who are instrumental in increasing tax compliance activities and revenue collection.

The personnel duties performed by Human Resources include staffing planning, vacancy postings, hiring, and civil service compliance. The labor relations duties include contract negotiation and administration for two labor-management agreements, the Ohio Civil Service Employees Association and Fraternal Order of Police Lodge #2. Additional labor relations duties are grievance handling, arbitration services, and work rule compliance.

Payroll services are located in Human Resources, as well as benefit administration. Questions pertaining to health insurance plans and open enrollment can be answered by the staff. The disability program and Ohio Worker's Compensation plan are both maintained in the division. Human Resources is also charged with administration of the Equal Employment Opportunity (EEO) program. This involves the EEO strategic plan development and handling of discrimination complaints, both formal and informal.

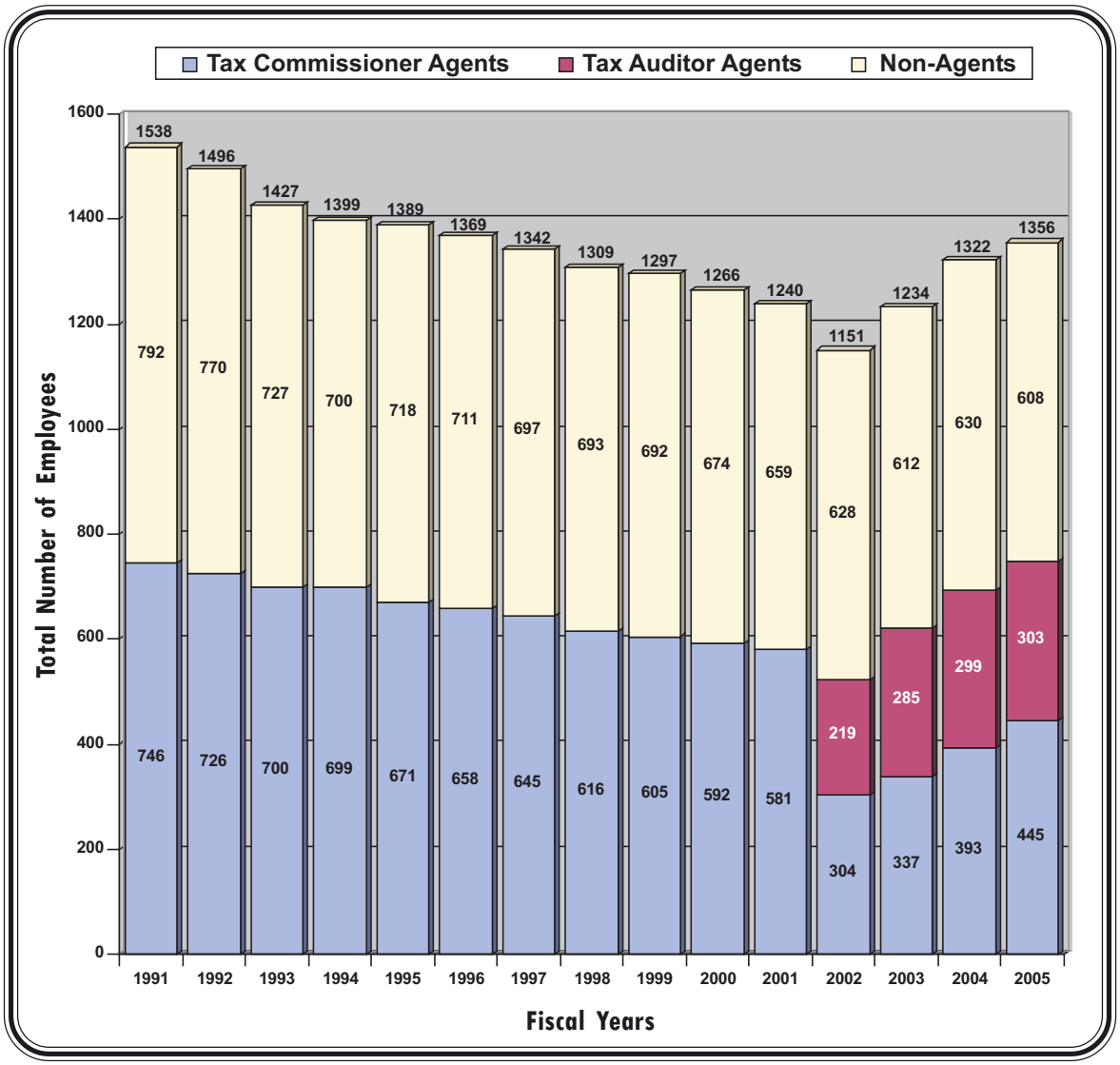
Employment law training, policy and directive review, as well as liaison to the Ohio Attorney General's office and the Ohio Highway Patrol, are other roles performed by Human Resources.

The Human Resources Division helps the Department of Taxation provide quality support by its role as a resource center for the department, one that is committed to customer service for all employees, both management and bargaining unit.

Information Services Division

The Information Services Division (ISD) supports the Department of Taxation's business program areas through the development and support of computer information systems. It provides a secure,

ODT Total Number of Permanent Employees, Fiscal Years 1991 - 2005



flexible, and appropriately scaled architecture for the exchange of information with internal and external customers, while at the same time measuring information technology performance to ensure efficiency and value. The division also identifies emerging technologies and trends to improve employee productivity and reduce operating costs, advises management of information technology best practices, and delivers timely and quality services to customers in a professional and courteous manner.

The statistics listed below provide an overview of ISD's activities during Fiscal Year 2005:

- Constructed a warehouse of data from internal and external sources to assist in identifying non-filers and under-payers of Ohio taxes for tax discovery and revenue enhancement.
- Launched **The Finder,** a Web-based application that enables taxpayers to locate their exact taxing district by address, zip code or Global Positioning Systems (GPS) coordinates.
- Completed telescript routing modifications in the taxpayer service centers, which enables the routing of tax-specific calls to specialized agents.
- Developed a new assessment system.
- Developed a new corporation franchise delinquent system.
- Created a system to calculate the interest and penalties of corporation franchise taxpayers that qualify for the safe harbor exemption.
- Implemented an improved sales tax review process that matches account data to contact data and provides for distribution of revenue to counties.
- Developed an external interface on the department's Web site to calculate cigarette minimum prices at the manufacturer, wholesale or retail levels.
- Began the planning and analysis of House Bill 66 (tax reform).
- Implemented an automated audit system for personal property tax audits.
- Implemented an enhanced Remote Access network to improve performance and reduce costs for Taxation employees.
- Implemented a new Offset system to interface with Bureau of Worker's Compensation.
- Completed 1,108 customer service requests.
- Processed 3,080 security requests.
- Processed over 2.6 million individual electronic returns.
- Processed 18,000 credit card transactions for a total of $8.3 million.
- Processed over $88 million in Automated Clearing House debit payments.
- Processed over $12 billion in Automated Clearing House credit payments.
- Processed 1.0 million direct deposit requests.
- Maintained network availability at 99.98 percent.
- Maintained mainframe availability at 99.91 percent.

The value of ISD comes from its ability to apply technology to increase the effective use of information in order to drive positive innovation. In this way, the division supports the department's mission of providing quality service to Ohio taxpayers.

Internal Audit Division

Internal Audit is a division within the Ohio Department of Taxation whose mission 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 ODT's exposure. In order to investigate internal controls, and to remain objective and independent, the Internal Audit Division reports directly to the Tax Commissioner. The Internal Audit Division is free of all operational and management responsibilities that might impair their ability to make independent reviews of all aspects of the department's operations. Additionally, the division has been authorized to have free and unrestricted access to all department records, functions, property, and personnel in order to investigate and/or maintain sound internal controls.

In addition to other investigatory issues, the Internal Audit Division serves as the contact for several other state agencies. The division coordinates the activities in the Internal Accounting Control Program (IACP) administered by the Office of Budget and Management. The division also serves as the contact and liaison for representatives from the Auditor of State's office and the Collections Enforcement Section of the Attorney General's office.

The Internal Audit Division helps ODT provide quality service to taxpayers by effectively monitoring the department's internal controls and making recommendations for improvement.

Legislation Division

The Legislation Division is the legislative coordinating unit for the Department of Taxation, monitoring all tax-related legislation as it progresses through the General Assembly. The division serves as the primary resource to members of the General Assembly, providing three main services:

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

The division's staff attends legislative committee hearings, prepares and presents testimony on tax policy issues, and coordinates special events such as bill-signing ceremonies. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Other responsibilities include routing legislation to the operating divisions for analysis and maintaining the Legislative Repository, an information database that serves as a resource to department staff.

A snapshot of the division's workload during Fiscal Year 2005 shows that the division focused on a number of bills that made important changes to Ohio's tax system.

Among them were the biennium budget bill, House Bill 66, which included a comprehensive tax reform proposal; two Streamlined Sales Tax bills, Senate Bill 218 and Senate Bill 26, both of which addressed aspects of the transition to destination-based sourcing; and House Bill 2, a bill granting tax filing extensions to all active duty National Guard members and members of the U.S. Armed Forces reserve units (see **Summary of Legislation** chapter). In total, the Legislation Division monitored 195 bills during FY 2005.

The Legislation Division helps the Department of Taxation provide quality service by supporting the process of transforming tax policy into law. The division is also an important resource both for Ohio's elected leaders and the general public.

Ohio Department of Taxation's Partners

The Ohio Department of Taxation (ODT) accomplishes many of its goals through collaborative partnerships with other governmental agencies.

The **Internal Revenue Service** provides data from federal returns which is used to check the accuracy of Ohio income tax returns. For example, the adjusted gross income reported by taxpayers on their federal returns is routinely compared with the adjusted gross income as reported on the Ohio returns. Discrepancies are researched by the department and taxpayers are contacted, if necessary, to verify their correct income.

Two sections of the Office of the **Ohio Attorney General** play key roles in the administration of Ohio taxes. The Taxation Section litigates cases for the Tax Commissioner at the Ohio Board of Tax Appeals and the Ohio Supreme Court, as well as at other state and federal courts. The Collections Enforcement Section of the Attorney General's office performs collection activities on delinquent tax accounts.

The **Treasurer of State** receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by the **Auditor of State** based on data provided by ODT. The **Ohio Department of Development** certifies to the department certain credits available to corporations. Pursuant to provisions of the Ohio Revised Code, ODT withholds income tax refunds from parents who are delinquent in their child support. Those amounts are forwarded to the **Ohio Department of Job and Family Services** which, in turn, disburses the money to the county child support enforcement agencies.

The Department of Taxation and the **Ohio Department of Commerce** share information pursuant to provisions of the Ohio Revised Code regarding businesses with liquor permits. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

The partnerships and collaborations established with other agencies support the Department of Taxation by fairly applying the tax law and by assisting in tax collection and litigation. The department, in turn, also helps several governmental agencies accomplish their missions by distributing revenue, monitoring business tax compliance, and withholding some taxpayer refunds pursuant to statute.

Operations Center

The Operations Center is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation. Over 8.9 million tax returns were processed in 2003 alone. The primary function of the Operations Center is to facilitate voluntary compliance. This is accomplished through receiving and recording tax returns, documents and remittances, by issuing refunds, storing and retrieving tax documents, and through bank deposits of taxpayer payments for purposes of fund distribution to state and local governments. The payments processed from tax returns are the primary source of revenue for the State of Ohio, providing income to elementary/secondary schools, colleges and universities, law enforcement, human services, general government, and property tax relief.

The Operations Center's goals are:

- To provide timely service to each taxpayer and to perform in a manner that instills public confidence and satisfaction;
- To deposit monies in a timely manner;
- To maintain high productivity while providing a quality work product; and
- To utilize technology for a more cost efficient operation.

The Operations Center has experienced record-breaking use of electronic filing since its introduction in 1998. Electronic filing (TeleFile) was first introduced to Ohio taxpayers in 1998 when 232,548, or 4.0 percent, took advantage of that filing option. Electronic filing (through practitioners) was first introduced to taxpayers in 1999 and was readily accepted by both taxpayers and tax practitioners alike. The number of electronically filed returns filed in 1999 grew to 19 percent of the total filed. Electronic filing has experienced a steady increase each year thereafter, particularly after the introduction in tax year 2002 of Ohio's free Web-based service, Ohio I-File. In tax year 2004, electronic filing accounted for more than 2.9 million, or nearly 51 percent, of the income tax returns filed.

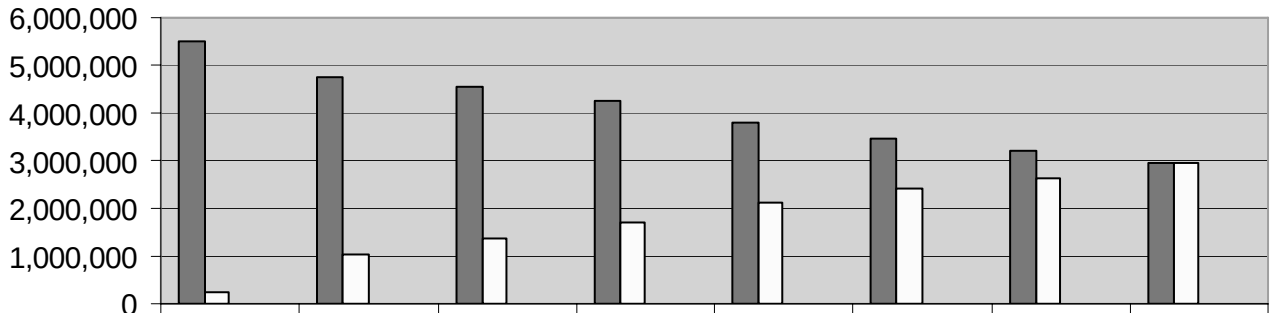
Electronic filing not only allows taxpayers to get their refund faster, but it also substantially reduces both the taxpayer and processing errors generally found on paper-filed returns. The ease and efficiency associated with electronically filed returns, versus the labor intensive manual process associated with paper filed returns, saved the citizens of Ohio millions of dollars in processing costs during the 2004 filing season. For example, it cost about $3.4 million to process over 2.9 million electronically filed returns. By contrast, it cost more than $8.8 million to process approximately

Income & School District Income Tax Return Filing 1997 - 2004

Tax Return Year	1997	1998	1999	2000	2001	2002	2003	2004*
1040 Paper	4,289,454	3,195,691	2,967,340	2,645,743	2,585,136	2,430,889	2,259,825	2,116,327
EZ Paper	771,244	1,133,422	1,130,605	1,203,655	814,473	663,406	593,326	490,907
Total Paper	**5,060,698**	**4,329,113**	**4,097,945**	**3,849,398**	**3,399,609**	**3,094,295**	**2,853,151**	**2,607,234**
1040 Electronic	-0-	645,300	879,837	1,141,239	1,396,931	1,616,387	1,837,659	2,069,655
1040 Telefile	232,548	365,881	421,483	468,930	621,810	534,787	435,883	375,960
WEB I-File	-0-	-0-	-0-	-0-	-0-	118,444	213,815	303,844
Total Electronic	**232,548**	**1,011,181**	**1,301,320**	**1,610,169**	**2,018,741**	**2,269,618**	**2,487,357**	**2,749,459**
Total IT Returns	**5,293,246**	**5,340,294**	**5,399,265**	**5,459,567**	**5,418,350**	**5,363,913**	**5,340,508**	**5,356,693**
SD 100 Paper	448,101	434,817	424,168	418,509	387,114	361,426	351,214	335,647
SD 100 Electronic (Telefile)	-0-	46,467	73,481	85,619	116,203	127,252	151,649	183,777
SD 100 I-File								27,470
Total School District Returns	**448,101**	**481,284**	**497,649**	**504,128**	**503,317**	**488,678**	**502,863**	**546,894**
Total IT & SDIT	**5,741,347**	**5,821,578**	**5,896,914**	**5,963,695**	**5,921,667**	**5,852,591**	**5,843,371**	**5,903,587**
Paper Total	**5,508,799**	**4,763,930**	**4,522,113**	**4,267,907**	**3,786,723**	**3,455,721**	**3,204,365**	**2,942,881**
Electronic	**232,548**	**1,057,648**	**1,374,801**	**1,695,788**	**2,134,944**	**2,396,870**	**2,639,006**	**2,960,706**
Paper %	**96%**	**82%**	**77%**	**72%**	**64%**	**59%**	**55%**	**50%**
Electronic %	**4%**	**18%**	**23%**	**28%**	**36%**	**41%**	**45%**	**50%**

* Projected totals for 2004 through Dec. 31, 2005.

Paper vs. Electronic 1997 - 2004



	1997	1998	1999	2000	2001	2002	2003	2004*
Paper	**5,508,799**	**4,763,930**	**4,522,113**	**4,267,907**	**3,786,723**	**3,455,721**	**3,204,365**	**2,942,881**
Electronic	**232,548**	**1,057,648**	**1,374,801**	**1,695,788**	**2,134,944**	**2,396,870**	**2,639,006**	**2,960,706**
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Electronic %	**4%**	**18%**	**23%**	**28%**	**36%**	**41%**	**45%**	**50%**

2.9 million paper returns filed. As taxpayers become more comfortable with electronic filing and the obvious benefits associated with it, its use is expected to continue to increase in the years ahead.

Beginning with the 2003 individual income tax return, the Department of Taxation sent out post cards to taxpayers who either filed electronically or filed with a practitioner. This step saves the state on booklets and postage costs each filing year.

By maximizing electronic means to ensure the timely and efficient processing of tax returns, the Operations Center aids the department in providing quality service through capturing revenue to fund services while putting refunds back into the hands of Ohio taxpayers as soon as possible.

Revenue Accounting

Revenue Accounting, one of four units within the Budget and Fiscal Division, is responsible for a variety of duties within the Department of Taxation that directly impact local governments and the services received daily by Ohio residents.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In Fiscal Year 2005, Revenue Accounting distributed more than $3.8 billion to/from the following funds and agencies:

- Local Government Fund;
- Local Government Revenue Assistance Fund;
- Library and Local Government Support Fund;
- gasoline tax;
- sales and use tax;
- school district income tax;
- municipal income tax for electric light companies and telephone companies;
- property tax rollback;
- manufactured home tax;
- tangible personal property tax;
- Property Tax Replacement Fund (from kilowatt-hour and natural gas taxes);
- dealers in intangibles tax;
- political party check-off;
- resort tax;
- horse racing tax;
- Scenic Rivers and Wildlife check-offs;
- Cuyahoga County beer, wine, cigarette and liquor taxes; and
- litter tax.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the Department of Taxation for the following taxes:

- individual income tax;
- employer withholding tax;
- sales and use tax;
- corporation franchise tax;
- school district income tax;
- motor fuel and use tax;
- International Fuel Tax Agreement; and
- municipal income tax for electric light companies and telephone companies.

The unit also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), Ohio Business Gateway (OBG), and Treasurer of State debits and credits. Revenue Accounting reconcilies 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.

The Revenue Accounting unit supports the Budget and Fiscal Division in fulfilling the role of providing quality service by ensuring that tax dollars are properly deposited and distributed in accordance with current law.

Tax Analysis Division

The Tax Analysis Division (TAD) serves as the research arm of the Ohio Department of Taxation. Although it is a small unit, the division serves a diverse range of customers, providing packaged data, quantitative analysis, and policy analysis to internal and external customers. The customers for TAD products include, but are not limited to, the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

Many of TAD's products are prepared on a regular basis. During 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.

The tax data series on the department's Internet site contains a number of data products that are updated monthly, quarterly, or annually. When the biennial budget is prepared, TAD provides assistance to the Office of Budget and Management (OBM) in forecasting tax revenues. Once the forecasts are finalized, the division then tracks revenue on a monthly basis and assists OBM with any updates of the forecasts. Tax Analysis also provides estimates of the Governor's tax proposals in the executive budget. In addition, TAD produces the Tax Expenditure Report, traditionally "Book Two" of the executive budget.

The division also produces or contributes to research publications that are meant as educational aids to decision makers. One such publication is the *Property Taxation and School Funding* report. In addition, the division produces statistics, tables, graphs, and interstate comparison data for departmental publications such as the *Brief Summary of Major State and Local Taxes in Ohio* and the *Annual Report*.

The division provides a number of services to local governments. It produces dozens of estimates of school district income tax revenues each

year. The division also produces (in conjunction with the Revenue Accounting Division) estimates of the distributions to the three local government funds, and handles the estate tax settlements from local governments. TAD also provides informal consulting to school districts and other local governments on property tax questions and permissive sales tax questions. Tax Analysis staffers frequently make presentations to county auditors, school officials, and other local governments, discussing such topics as property tax law, school district income taxes, state revenue sharing, tax reform, and the impact of utility property tax law changes. In addition to its regular duties, TAD is involved in a number of special projects each year. The projects themselves are as diverse as analyzing the costs and potential cost savings of State Issue I (the drug treatment ballot initiative from November 2002) or preparing an amicus brief for the Tax Commissioner in the 2001 DeRolph IV school funding case.

Fiscal Year 2005 was a particularly active and productive year for the division. TAD not only prepared the numerical estimates of the Governor's tax reform package for the FY 2006-2007 executive budget, but also provided narratives that laid out the philosophical foundation for the tax reform initiative. When the budget moved into the General Assembly, the division estimated a number of alternative tax reform proposals for both the House and the Senate, and estimated the final version of the budget enacted by the General Assembly.

In FY 2005, the division continued to enhance its data assets and informational resources. It added to its database of large corporate taxpayers, providing an invaluable tool for simulating proposed changes in corporation franchise tax law. The division also refined its income tax simulation models in response to the demands of the Governor's tax reform package and the requests of legislators. TAD has also worked with other units of the Department of Taxation in providing new data that can enhance audit selection and tax compliance procedures. Finally, the division continues to work with OBM to develop more rigorous and accurate forecasting methods for General Revenue Fund tax revenues.

Tax Analysis continues to work on improving and expanding its research capability to better support the department's efforts to provide quality service not only throughout state government, but also to Ohio local governments and school districts.

Taxpayer Services/ Compliance Division

The Taxpayer Services/Compliance Division is actually comprised of three separate divisions: Taxpayer Services, Compliance, and the Taxpayer Service Centers. The Taxpayer Services Division and the Compliance Division were merged in a 1998 department reorganization. The Taxpayer Service Centers joined in 2002. This consolidation combined the cross functionality of these divisions, moving the department closer to the implementation of a global strategy to service taxpayers and conduct unified compliance initiatives.

Taxpayer Services Division

The Taxpayer Services Division (TPS) was reorganized in April 1998 into an integrated division handling multiple tax issues and tasks, replacing the single tax division concept that was previously utilized. TPS is the anchor to the many communication mediums utilized by the department to inform, educate, and learn from Ohio's taxpayers and tax practitioners. This division, with help from the Taxpayer Service Centers, fields thousands of telephone calls, e-mails, letters, and taxpayer walk-ins each month. TPS is the first point of contact for all communications related to individual income, school district income, sales and use, corporation franchise, employer withholding, employer school district withholding, and pass-through entity and trust taxes.

TPS agents are responsible for responding to questions simple and complex. All TPS agents are proficient in at least one of the taxes the division supports and most are adept at four or more. By functioning as a one-stop shop for taxpayer inquiries, TPS supports the department by striving to ensure accurate, comprehensive and consistent information is delivered to the taxpayer community.

The TPS outreach and education unit facilitates a number of taxpayer and practitioner programs each year. The unit's intent has been to assist the department in increasing voluntary compliance and cost saving self-service solutions through the promotion of effective, innovative customer service strategies. The unit has focused on fostering professional relationships to increase communication opportunities and awareness of tax laws and regulations throughout the state.

The TPS support unit updates computer data pertaining to the business community's demographics. This unit is also responsible for the various edit lists generated by the registration process and associated communications with the county auditors.

The TPS support and report unit administers, queries, and analyzes data used from the department's various contact systems to help the three divisions within Taxpayer Service/Compliance evaluate their performance, identify trends, and pinpoint opportunities for improvement.

Taxpayer Service Centers

The department maintains nine Taxpayer Service Centers located in major cities throughout Ohio (Akron, Cincinnati, Cleveland, two in Columbus, Dayton, Toledo, Youngstown and Zanesville). The staffs of these offices make up the "face" of the department. The number and locations of the service centers evolved from a commitment to provide equitable service to all Ohio taxpayers through a network of strategically situated local branches, offering convenient access to services in regional population centers.

The service centers constitute both a local resource for assistance and a local presence to implement and enforce the various compliance and service programs in an efficient and cost-effective manner. In addition, the service centers provide a convenient work location for agents of the Audit Division.

The staff of the Taxpayer Service Centers is cross-trained to provide a variety of services to taxpayers and to support the compliance efforts of the department. Taxpayers visit service centers to receive professional tax assistance when filing their required tax returns for both business taxes (e.g., sales and use, corporation franchise, excise, and employer withholding taxes) and income taxes (e.g., individual income tax and school district income tax).

Service centers provide assistance to walk-in taxpayers, answer telephone inquiries about business and individual taxes, and process correspondence arising from numerous billing programs generated by the Compliance Division. Service center employees also participate in a number of compliance initiatives. For instance, they coordinate tax delinquency programs to secure tax returns and revenue from non-filers and they monitor vendor compliance with regard to the sales and use tax as part of the Habitual Offender Program.

Service center agents are periodically asked to conduct examinations of transactions involving the casual sale of motor vehicles, conduct office audits, and evaluate refund claims in partnership with agents in the Audit Division.

The service centers support TPS and the department by providing direct service to taxpayers, through maintaining constant communication with federal, state, and local government agencies, and by providing speakers to various groups.

Compliance Division

The Compliance Division manages the billing and assessment functions for the individual income, employer withholding, employer school district withholding, corporation franchise, sales and use, and school district income taxes.

Bills and assessments are generated for actual or potential tax liabilities arising from an audit or a taxpayer's failure to file, pay, compute their taxes correctly, report their federal adjusted gross income consistently, or report all their income (see **Tables 1- 3** in this section). Assessments are the Tax Commissioner's final notification to a taxpayer of a tax liability or delinquency. An assessment informs the taxpayer of their legal rights if the assessment remains outstanding, and that their 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 is responsible for handling all taxpayer billing and assessment correspondence, while TPS is responsible for the telephone calls and e-mail inquiries for these programs. This division serves as the department's liaison to the Ohio Attorney General's office. All communication regarding collection of unpaid or delinquent taxes is coordinated through the assessment section.

Within the Compliance Division there is an administrative review unit that is responsible for resolving non-audit issue petitions (appeals). This enables taxpayers to resolve their assessment issues in an informal manner.

The Compliance Division helps the Department of Taxation ensure that the tax law is fairly applied by enabling the collection of delinquent taxes that help provide the revenue necessary for state programs and services.

Table 1
Personal Property Tax Assessments,* Calendar Years 2003 - 2004

Type of Tax	Amount of Assessments	
	Calendar Year 2003	Calendar Year 2004
Tangible Personal Property		
Single-County Corporations and Individual Unincorporated Businesses	$12,097,237	$11,158,008
Inter-County Corporations	118,941,247	88,364,622
Total Tangible Personal Property	$131,038,484	$ 99,522,630
Dealers in Intangibles	$7,070,496	$5,347,313
Total Personal Property and Dealers	**$138,108,980**	**$104,869,943**

* Resulting from audits or delinquent returns.

Table 2
Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection, Fiscal Years 2004 - 2005

Tax Category	Assessments Levied*				Unpaid Assessments Certified for Collection**	
	Fiscal Year 2004		Fiscal Year 2005			
	Amount	Number	Amount	Number	Fiscal Year 2004	Fiscal Year 2005
Sales and Use	$256,544,752	66,118	$277,258,317	140,435	$180,035,006	$147,948,544
Motor Vehicle Fuel	6,012,144	64	11,920,314	108	2,934,655	5,700,619
Motor Fuel Use			3,038	10	1,387	710
Cigarette	151,729	29	60,167	1	324,563	
Other Tobacco Products	534,793	178	965,226	79	403,569	111,262
Alcoholic Beverages***			101,758	9		
Severance	173,004	118	12,841	10	98,810	42,105
Horse Racing						
Tire Replacement			88,514	2	4,178	45,225
IFTA****	274,230	56	432,355	170	322,871	233,086
Kilowatt Hour	248,368	2	28,267	2	61,961	276,635
Natural Gas (Mcf)						
MSA*****	41,725	33	24,250	20		34,000
Total	**$263,980,745**	**66,598**	**$290,895,047**	**106,644**	**$184,187,000**	**$154,392,186**

* Represents only assessments levied and not assessments collected.
** Data do not relate to current assessments shown in "Assessments Levied" column. It represents those assessments certified for collection after taxpayers have exhausted all avenues of appeal, and may be from a prior fiscal year.
*** Beer, wine, and mixed beverages.
**** International Fuel Tax Agreement.
***** Master Settlement Agreement (tobacco).

Table 3
Individual Income Tax and Corporation Franchise Tax Assessments Levied Fiscal Years 2002 - 2005

Tax Category	Fiscal Year 2002		Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporation Franchise	$52,046,091	9,439	$57,203,517	7,755	$57,968,371	4,363	$496,524,746	83,419
Individual Income	$142,824,765	154,172	$32,785,324	20,989	74,387,712	85,759	$155,353,096	132,765
Total	**$194,870,856**	**163,611**	**$89,988,841**	**28,744**	**$132,356,083**	**90,122**	**$651,877,842**	**216,184**

Taxes Administered

Alcoholic Beverage Tax

The Ohio Department of Taxation and the Division of Liquor Control, under the Ohio Department of Commerce, share responsibility for the administration of laws governing alcoholic beverages. The Department of Taxation is responsible for the administration of the taxes on beer, wine, and mixed beverages. This does not include distilled beverages over 21 percent alcohol by volume. The Division of Liquor Control, Ohio Department of Commerce, is responsible for issuing, suspending and revoking permits to manufacture, distribute, and sell all alcoholic beverages. This chapter covers only the role of the Department of Taxation.

Tax payments from excise taxes on beer, wine, and mixed beverages were approximately $57.7 million in Fiscal Year 2005. These payments are made to the General Revenue Fund, except for five cents of the tax on each gallon of wine. This revenue is designated for the research and study of grapes and grape products under the direction of the Ohio Grape Industries Committee.

In 1986, the Ohio General Assembly authorized county governments to levy a permissive tax of $3.00 per gallon on liquor for the purpose of funding sports facilities. Then in 1990, the General Assembly authorized counties to levy taxes on all alcoholic beverages to operate or service the debt of a sports facility operated by the county or a development corporation.

The law allowed counties to levy a tax of up to 32 cents per gallon on wine and mixed beverages, 24 cents per gallon on cider, and 16 cents per gallon on beer. Cuyahoga County enacted such levies at the maximum rates effective August 1, 1990. The Department of Taxation and the Division of Liquor Control administer the tax and collect the county levies through a local tax return filed with the state. All exemptions and credits allowed for the state tax on alcoholic beverages apply to the county levies. Tax collected is returned to Cuyahoga County in the month following collection. The Department of Taxation retains 2.0 percent of the collections from the county beer and wine taxes for administrative expenses.

Taxpayer:

Type of Product	Revised 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 beverage	4301.43	Manufacturer, wholesale dealer or retail dealer
Barrel beer	4305.01	Manufacturer or consignee

Tax Base (Ohio Revised Code 4301.01):

Type of Product	Definition
Beer	Brewed or fermented from malt products and containing not less than 0.5% and not more than 12% alcohol by volume.
Mixed Beverages	Mixture of wine or distilled spirits with carbonated or noncarbonated flavoring materials and containing not less than 0.5% and not more than 21% alcohol by volume.
Wine (including sparkling wine and vermouth)	Fermented juices of grapes, fruits or other agricultural products and containing not less than 0.5% and not more than 21% alcohol by volume.
Cider	Fermented juices of apples including flavored, sparkling, or carbonated cider containing more than 0.5% and not more than 6.0% alcohol by weight.

Rates:

Type of Product	Revised Code Section	Unit of Measure	Tax Rate
Beer in bottles or cans	4301.42	6 oz. or fractional part thereof	0.84 cent*
Wine (containing alcohol 4.0 - 14% by volume)	4301.43 – 4301.432	Gallon	32 cents
Wine (containing alcohol 14 - 21% by volume)	4301.43 – 4301.432	Gallon	$1.00
Vermouth	4301.43 – 4301.432	Gallon	$1.10
Sparkling and carbonated wine and champagne	4301.43 – 4301.432	Gallon	$1.50
Cider	4301.43	Gallon	24 cents
Mixed Beverages	4301.43	Gallon	$1.20
Beer in barrels	4305.01	31 gallons	$5.58

* The rate on bottles and cans having less than 12 ounces is 0.14 cent per ounce.

County Levies:

Type of Product	Revised Code Section	Unit of Measure	Tax Rate
Wine and mixed beverages	4301.421	Gallon	Up to 32 cents
Beer	4301.421	Gallon	Up to 16 cents
Cider	4301.421	Gallon	Up to 24 cents

Exemptions and Refunds (R.C. 4301.23, 4303.332, 4303.333, 4307.05):

1. Sacramental wine used in religious rites.
2. Sales to the federal government.
3. Sales in interstate commerce.
4. Any licensed Ohio brewer whose total production, wherever produced, does not exceed 31,000,000 gallons in a calendar year will receive a credit against their excise tax the following year, and a refund on any excise tax paid during the current year, on up to 9,300,000 gallons of beer distributed in Ohio.
5. Any licensed Ohio wine producer whose sales do not exceed 500,000 gallons in a calendar year will be granted an exemption from the excise tax during the following year and a refund on any excise tax paid during the current year.

Filing and Payment Dates (R.C. 4303.33):

Beer Permit Holders:

Advance Payment — On or before the 18th day of each month for that month's estimated tax liability.

Monthly Payment — On or before the 10th day of the month for the previous month's liability.

Wine and Mixed Beverage Permit Holders:

Monthly Payment — On or before the 18th day of each month for the previous month's liability.

County Permissive Levies (R.C. 4301.422):

Monthly Payment — On or before the last day of the month for the previous month's liability.

Discounts and Additional Credits (R.C. 4303.33):

Discounts and additional credits are available for collection and timely payment of tax liability by permit holders.

Beer Permit Holders:

Advance Pay Credit – Three percent of the amount of tax received by the 18th day of the month for which the tax is paid.

Discount – A discount is offered on the balance of tax due (after the advance payment) if received by the 10th day of the following month. It is the smaller of the following: 3.0 percent of 10 percent of the advance payment or 3.0 percent of the net amount of tax due after deducting the advance payment.

Wine and Mixed Beverage Permit Holders:

Three percent discount on the amount of monthly payment if the payment is received on or before the 18th day of the month for the previous month's tax liability.

County Permissive Levies (R.C. 4301.422):

Taxpayers filing timely returns and making timely payments receive a 2.5 percent discount on the tax liability due.

Disposition of Revenue (R.C. 924.51-55, 4301.43, 4301.432, 4301.46, 4305.01):

Grape Industries Special Account: Five cents per gallon of the excise tax levied on wine is paid into this account to provide funds for research, development, and marketing of grape products in Ohio.

General Revenue Fund: Remainder of the excise tax levied on wine and all of the excise tax levied on beer, cider, and mixed beverages is paid into this fund.

County Permissive Levies (R.C. 4301.423): The **Local Excise Tax Administrative Fund** receives 2.0 percent of all collections, while the remaining revenue collected is distributed to the county.

Administration (R.C. 4307.04):

The Tax Commissioner administers alcoholic beverage taxes, and the Division of Liquor Control, under the Ohio Department of Commerce, administers the liquor gallonage tax.

Ohio Revised Code Citations:

Chapters 924, 4301, 4303, 4305, 4307, 4309.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005). R.C. 4301.43:

Enacted a two-year continuation of the two cents per gallon additional credit to the Ohio Grape Industries Fund on tax paid on wine, vermouth, and sparkling and carbonated wine and champagne.

Sub. H.B. 371, 124th General Assembly (effective October 11, 2002). R.C. 4301.01(B)(20):

Beer, malt beverages and malt liquor were all defined the same. The bill changed the definition of beer to mean ale, porter, stout and other similar fermented beverages, including sake. The maximum alcoholic content was also increased from 6.0 percent to 12 percent by weight.

R.C. 4301.433:

A supplier of wine that is bottled outside Ohio and shipped into and intended for sale in Ohio was required to furnish two copies of the invoice to the Tax Commissioner. The supplier may furnish the invoice information electronically in a format prescribed by the Tax Commissioner. All such invoices shall be open to public inspection during regular business hours.

Table 1
Alcoholic Beverage Taxes - Payments and Credits, Fiscal Year 2005

Type of Beverage	Gross Tax	Credits and Discounts	Net Tax Receipts
Beer			
Advance tax payments	$39,182,235	$1,079,835	$38,102,400
Payment with return	10,185,144	71,207	10,113,937
Total	$49,367,379	$1,151,042	$48,216,337
Wine and mixed beverages			
Payment with return	$9,811,065	$282,801	$9,528,264
Total	**$59,178,444**	**$1,433,843**	**$57,744,601**

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

Table 2
Alcoholic Beverage Taxes - Liability as Reported on Returns Fiscal Years 2003 - 2005

Type of Beverage	Amount of Tax Liability 2003	2004	2005
Beer	$49,028,203	$49,710,161	$47,697,154
Wine less than 14% alcohol	4,338,635	4,123,117	4,320,690
Wine 14-21% alcohol	1,007,148	1,106,171	1,111,829
Mixed beverages	3,010,419	2,936,334	3,046,523
Vermouth	106,984	97,851	89,708
Sparkling wine	885,078	877,344	870,063
Cider	34,599	29,910	32,752
Total	**$58,411,066**	**$58,880,888**	**$57,168,719**

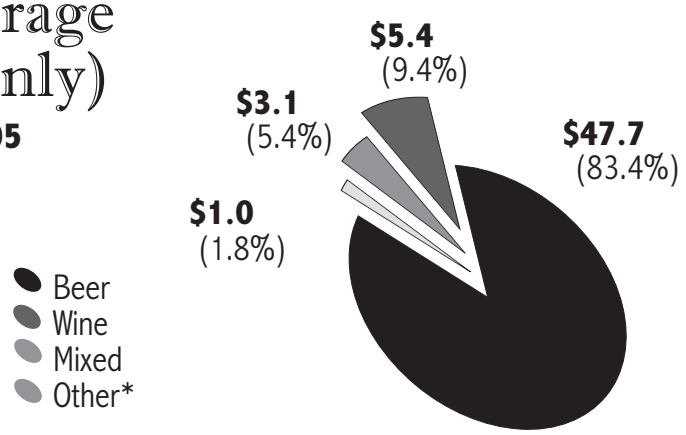
Note: Amounts represent tax liability as opposed to tax payments reported in Table 1.

Table 3
Cuyahoga County Beer and Wine Liabilities as Reported on Returns
Fiscal Years 2003 - 2005

Type of Beverage	2003	2004	2005
Beer	$5,072,439	$4,941,408	$4,913,129
Wine	1,019,504	1,056,232	1,236,114
Total	**$6,091,943**	**$5,997,640**	**$6,149,243**

Alcoholic Beverage Tax Liabilities By Beverage (State Only)

Fiscal Year 2005
(figures in millions)



Total $57.2 million

*Other includes vermouth, sparkling wine and cider.

Cigarette and Other Tobacco Products Tax

An excise tax on cigarettes has been levied in Ohio since 1931. In 1981, cigarettes also became subject to the Ohio sales tax. The excise tax rate increased to 18 cents per pack on July 15, 1987, to 24 cents per pack on January 1, 1993, to 55 cents per pack on July 1, 2002 and to $1.25 per pack effective July 1, 2005, under the provisions of House Bill 66, the Fiscal Year 2006-2007 biennium budget bill.

The tax is paid primarily by wholesale dealers through the purchase of stamps (tax indicia) that are affixed to cigarette packs. Retailers, individuals, and other consumers are responsible for paying the tax on cigarettes not taxed at the wholesale dealer level. The Tax Commissioner can authorize dealers to purchase the tax indicia on credit payable within 30 days during July through April. The cigarette tax is credited to the state General Revenue Fund. In FY 2005, total receipts from the sale of stamps were almost $551.4 million (not including other tobacco products).

An excise tax on "other tobacco products" was enacted effective February 1, 1993. These products include cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products. The tax is levied on the wholesale price of other tobacco products manufactured in Ohio or imported into Ohio that are to be sold for resale at retail. The rate is 17 percent of the wholesale price. The other tobacco products tax is credited to the state General Revenue Fund. In FY 2005, total receipts were nearly $27.7 million.

In 1986, the Ohio General Assembly gave authorization to county governments to levy a permissive tax of .225 cent per cigarette (4.5 cents per pack of 20) for the purpose of funding the operation or servicing the debt of a sports facility operated by the county or a development corporation. Cuyahoga County enacted such a levy at the maximum rate effective August 1, 1990.

The Department of Taxation administers and collects the tax. Collection is made through sales of tax indicia for cigarettes to be sold in Cuyahoga County. The revenues are distributed to Cuyahoga County in the month following their collection. The Department of Taxation retains 2.0 percent of the collections for administrative expenses. The levy produced revenues of about $4.25 million during FY 2005.

All state cigarette tax exemptions and credits apply to the county levies.

Taxpayer (Ohio Revised Code 5743.01):

Cigarettes:

Wholesale Dealers —
Those who purchase cigarettes directly from manufacturers, producers, importers, or other wholesalers, who then sell cigarettes to retailers for the purpose of resale.

Retail Dealers —
Includes everyone, other than a wholesale dealer, engaged in the sale of cigarettes. Retail dealers must remit the tax on any cigarettes not previously taxed.

Persons —
Individuals, companies, and other consumers who have cigarettes in their possession on which the excise tax has not been paid.

Other Tobacco Products:

Wholesalers —
Distributors who receive other tobacco products for sale to retailers or wholesalers for resale within the state.

Manufacturers —
Any person who manufactures and sells other tobacco products or cigarettes.

Retailers —
Any person engaged in the business of selling cigarettes or tobacco products to consumers in this state.

Tax Base (R.C. 5743.02, 5743.32, 5743.51):

1. The sale of cigarettes in Ohio (R.C. 5743.02, 5743.023).
2. The use, consumption, or storage for consumption of cigarettes in Ohio (R.C. 5743.32, 5743.322).
3. The receipt or import of other tobacco products for resale (R.C.5743.51).

Rates (R.C. 5743.02, 5743.32, 5743.024, 5743.51):

Ohio Revised Code Section	Tax Rate Per Pack of 20	Tax Rate Per Pack of 25
5743.02 (Sales)		
5743.32 (Use)	125.0 cents	156.25 cents
5743.024 (County)	4.5 cents	5.625 cents

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

Method of Tax Payment:

All cigarette taxpayers are required to pay for stamps from the Ohio Treasurer of State at the time of purchase. When it is more practical to collect the tax without the use of stamps or meter impressions (for example, manufacturers' gift samples), the tax is paid with returns or by direct payment to the Department of Taxation.

Exemptions (R.C. 5743.05):

Cigarettes sold in interstate or foreign commerce or to the U.S. government or its agencies.

Special Provisions

Permissive Cigarette Tax (R.C. 5743.024):

Counties may, with voter approval, levy a permissive cigarette tax of up to 2.25 mills per cigarette (4.5 cents per pack of 20). The levy must be for the purpose of servicing the debt of a sports facility. Cuyahoga County currently levies this tax.

Discounts (R.C. 5743.05 and 5743.52):

As a consideration for affixing and canceling cigarette stamps, retail and wholesale dealers receive a discount of 1.8 percent of the face value of stamps.

Other tobacco product taxpayers receive a 2.5 percent discount for timely payment of the tax.

Filing and Payment Dates:

Wholesale dealers are required to file a semi-annual return even though they may have paid all their tax through the purchase of stamps. Any payment due on cigarettes not previously taxed is

Method of Payment	Revised Code Section	Description of Payment
Cash payments	5743.03	Dealers are required to pay for stamps and meter impressions at the time of purchase unless they have been authorized to make credit purchases.
Credit payments	5743.05	The Tax Commissioner may authorize wholesale dealers to purchase stamps on credit payable within 30 days. Credit sales are allowed during July through April of each fiscal year.
Direct payments	5743.33	Direct payments are made primarily by manufacturers on gift samples of cigarettes, but also include assessments and deficiency payments, and voluntary payments by consumers.

Type of Return	Filing Date	Revised Code Section	Taxpayer
Semi-annual	By July 31 for the preceding January - June period; by January 31 for the preceding July-December period.	5743.03	Wholesale dealers
Monthly	By the 15th of each month for the preceding month.	5743.33	Persons with untaxed cigarettes
	By the last day of each month for the preceding month.	5743.52	Distributors or importers of tobacco products
Quarterly	By April 30, July 31, October 31, and January 31 for the previous quarter's liability.	5743.52	Distributors or importers of tobacco products

Disposition of Revenue:

Tax Rate	Revised Code Section	Disposition of Revenue
2.75 cents per cigarette * effective July 1, 2002	5743.02	State General Revenue Fund
17 percent of wholesale price of other tobacco products	5743.51	State General Revenue Fund
County levy: Up to .225 cent per cigarette	5743.024	2.0 percent to the **Local Excise Tax Administrative Fund** and the remainder to the county

* Rises to 6.25 cents per cigarette July 1, 2005.

included. Others who have untaxed cigarettes file a monthly use tax return along with payment of the tax.

Administration:

Both state and county taxes on cigarettes and other tobacco products are administered by the Department of Taxation.

Ohio Revised Code Citations:

Chapter 5743.

Recent Legislation

Amended Substitute H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005). Increase for the Cigarette Tax (R.C. 5743.02 and 5743.32; R.C. 612.27; R.C. 557.06):
The tax levied on the sale, use, consumption, or storage of cigarettes in the state was increased from 27.5 mills per cigarette (2.75 cents per cigarette; 55 cents per pack of 20) to 62.5 mills per cigarette (6.25 cents per cigarette; $1.25 per pack). This increase took effect on July 1, 2005. The new law requires that wholesale and retail dealers with inventories of cigarettes on July 1, 2005 must pay a "net additional tax" on their existing inventory (floor stock tax), as well as on any tax stamps in their possession that have not yet been affixed to merchandise.

Unstamped Cigarette Prohibitions (R.C. 5743.10, 5743.111, and 5743.112; R.C. 612.21):
The law prohibited the possession of or trading of unstamped cigarettes (that is, cigarettes in packages that do not display the stamp indicating that the tax has been paid). It is a crime for any person to possess 1,200 or more unstamped cigarettes. It is also a crime for any person to ship, transport, deliver, distribute, or otherwise trade 1,200 or more unstamped cigarettes.

Prior law had a similar prohibition, but it was based on the wholesale value of the cigarettes, not the physical quantity. The old law prohibited the possession or transfer of unstamped cigarettes with a wholesale value of $60 or more. Also, the old law applied the prohibition against possessing unstamped cigarettes only to retail dealers. The new law imposes the penalty on "any person."

Tax Stamps (R.C. 5743.031):
The law specified who may affix tax stamps and established rules governing the shipping of unstamped cigarettes through Ohio.

Monthly Reports to be Filed (R.C. 5743.072):
The law required that manufacturers and importers shipping cigarettes into or within Ohio must file monthly reports with the Tax Commissioner.

Seizure and Forfeiture of Cigarettes (R.C. 5743.08):
The law gave the Tax Commissioner authority to seize and take possession of any cigarettes that are held for sale or distribution in Ohio in violation of any of Ohio's cigarette laws. This expands the prior law, which gave the commissioner the authority to confiscate cigarettes for which the taxes had not been paid.

The law now also gives the Tax Commissioner authority to either destroy or sell any cigarettes that have been confiscated. The destruction of confiscated cigarettes does not make the owners immune from possible fines or penalties.

Tax Commissioner's Inspection Powers (R.C. 5743.14):
The law authorized the Tax Commissioner to inspect facilities and records belonging to cigarette manufacturers, importers, wholesalers, and retailers, and requires that any inspection not conducted during normal business hours be conducted pursuant to a search warrant. The law also authorizes the commissioner or an agent of the commissioner to stop and inspect any vehicle where there is reasonable cause to believe that it is illegally transporting cigarettes.

Licenses to Traffic in Cigarettes (R.C. 5743.15):
The law required that cigarette manufacturers and importers obtain a license from the Tax Commissioner before trafficking in cigarettes in Ohio. The law

also specifies additional information to be included in applications for licenses to traffic in cigarettes in Ohio.

Authorized Sales (R.C. 5743.20):
The law specified from whom and to whom manufacturers, importers, wholesalers, and retailers may buy and sell cigarettes. The bill provides that the identities of licensed distributors of tobacco products are subject to public disclosure. The Tax Commissioner must maintain a list of distributors and post the list on a Web site on the Internet. This list is to be updated periodically.

Authorized Recipients of Cigarettes (R.C. 2927.023(A), (B), and (D)):
The law required that cigarettes coming into Ohio may only be transported or shipped to an "authorized recipient of tobacco products." These authorized recipients are: (1) a licensed cigarette wholesale dealer; (2) a licensed distributor of tobacco products; (3) an export warehouse proprietor; (4) an operator of a customs bonded warehouse; (5) an officer, employee, or agent of the federal or state government acting in that person's official capacity; (6) a department, agency, instrumentality, or political subdivision of the federal or state government; and (7) a person receiving consent for consumer shipment issued from the Tax Commissioner.

The law now makes it an offense punishable by a fine up to $1,000 to transport or cause to be shipped cigarettes to a person other than an "authorized recipient of tobacco products."

Shipping Containers and Wrappings (R.C. 2927.023(C) and (D)):
The law required that cigarettes be shipped in a way that identifies them clearly. This requirement is met if the cigarettes are shipped or transported in their original containers or wrappings or if the substitute containers or wrappings are marked with the word "cigarettes" in a plain and visible manner. Anyone who ships cigarettes in violation of this rule can be fined up to $1,000 for each violation.

Consent for Consumer Shipment (R.C. 5743.71):
The law provides a means for any person who is not an "authorized recipient" to receive shipments of tobacco products that are not reasonably available at a retail location. The person may apply to the Tax Commissioner for a "consent for consumer shipment." The consent for consumer shipment must be obtained before any cigarettes or other tobacco products are purchased for shipment into Ohio.

Amended Substitute House Bill 95, 125th General Assembly (effective September 26, 2003).
R.C. 5743.05, 5743.051:
Allowed wholesale cigarette dealers in good standing for five years to purchase stamps and meter impressions on credit without a bond. Payment by electronic funds transfer (EFT) is required.

R.C. 1346.04 – 1346.10 (effective July 1, 2003):
Provided that the office of the Ohio Attorney General list on their Web site the cigarette brands that may be sold in Ohio that the manufacturers have certified to be in compliance with the tobacco Master Settlement Agreement. Cigarette wholesalers and other tobacco products distributors must provide the Department of Taxation with an e-mail address so they can be notified of additions and deletions to the list.

Am. Sub. S.B. 242, 124th General Assembly (various effective dates). R.C. 1333.11, 2927.02 and 5743.03 (effective July 1, 2002):
(R.C. 1333.11) The wholesale cigarette minimum markup was increased from 2.5 percent to 3.5 percent and the retail cigarette minimum markup was increased from 6.0 percent to 8.0 percent. (R.C. 2927.02) This law prohibits the manufacture, sale or distribution of packages of cigarettes containing fewer than 20 cigarettes or packages of roll-your-own tobacco containing less than six-tenths of one ounce. Cigarettes may not be sold in a smaller quantity than that placed in by the manufacturer, effective September 19, 2002. (R.C. 5743.03) Persons filing cigarette or other tobacco products tax returns are required to report the quantity of all cigarettes and roll-your-own cigarette tobacco sold in Ohio for each brand not covered by the tobacco Master Settlement Agreement. A penalty of up to $250 per month may be imposed for not filing the report (replaces requirements in rule 5703-15-19).

Recent Information Releases:

XT 2005-03 – "Cigarette Tax Increase for Cigarette Retailers," June 22, 2005.
XT 2005-04 – "Cigarette Tax Increase for Stamping Cigarette Wholesalers," June 23, 2005.
XT 2005-05 – "Cigarette Tax Increase for Non-Stamping Cigarette Wholesalers," June 23, 2005.

Table 1
Cuyahoga County Cigarette Stamp Sales, Fiscal Years 2000 - 2005

Fiscal Year	Gross Stamp Tax	Discount	Net Sales
2000	$5,235,090	$188,463	$5,046,627
2001	5,333,080	191,991	5,141,089
2002	4,894,766	129,619*	4,765,147
2003	4,455,341	80,196*	4,375,145
2004	4,350,822	78,315	4,272,507
2005	4,329,850	77,937	4,251,913

Source: Treasurer of State

*Discount reduced from 3.6% to 1.8% on December 13, 2001.

Table 2
Cigarette Tax Receipts, Fiscal Years 2000 - 2005

Fiscal Year	Gross Tax	Discount	Net Tax Collected
2000	$271,259,739	$9,765,351	$261,494,388
2001	272,598,343	9,813,540 *	262,784,803
2002	264,300,240**	7,008,887 *	257,291,353 **
2003	548,764,842	9,877,767	538,887,075
2004	540,376,592	9,726,779	530,649,813 ***
2005	561,492,445	10,106,864	551,385,581

Source: Treasurer of State

* Discount reduced from 3.6% to 1.8% on December 13, 2001.

** Does not include $35,300,703 from inventory floor tax.

*** Correction from *2004 Annual Report* of 2004 net tax collected.

Table 3
Other Tobacco Products Tax Receipts, Fiscal Years 2000 - 2005

Fiscal Year	Gross Tax	Discount	Net Tax Collected
2000	$22,793,655	$552,442	$22,241,213
2001	23,963,624	578,178	23,385,446
2002	25,353,802	620,798	24,733,004
2003	26,382,986	643,520	25,739,466
2004	27,394,131	682,290	26,711,841
2005	28,370,283	672,118	27,698,165

Source: Department of Taxation

Corporation Franchise Tax

Ohio first imposed a corporation franchise tax in 1902 at a rate of one mill (.001) on the value of capital stock (net worth) in Ohio. That rate remained until 1959 when it was raised to three mills, followed by one-mill increases in 1967 and 1969. This five-mill net worth tax was joined in 1971 by an alternate tax on net income in Ohio. The current corporation franchise tax requires taxpayers to compute the tax on both net worth and net income and pay on the base that produces the highest tax. However, the franchise tax is now being phased out over a five-year period (see next column).

During the 1980s and 1990s there were many changes to the corporation franchise tax, but rates settled from 1988-98 at 5.82 mills on net worth with tax on net income staying at 5.1 percent on the first $50,000 of income and 8.9 percent on remaining net income.

In 1999, the corporation franchise tax was significantly changed, including rate cuts on net worth to four mills and net income to 8.5 percent. In addition, the net worth tax was capped at $150,000 for non-financial institutions and the formula for determining how net worth is established (apportioned) for tax purposes was replaced with a new apportionment formula for net income (see **Exhibits 1** and **2** for details on the apportionment formula).

The corporation franchise tax applies differently to financial institutions than it does to general corporations. Financial institutions are subject only to a net worth tax with a rate of 13 mills and work with a different apportionment formula than applies to general corporations.

All corporations, except family farm corporations and financial institutions, are also subject to a litter tax which is likewise determined using the net worth and/or net income factors.

In Fiscal Year 2005, the corporation franchise tax generated just under $1,111.6 million in total revenue (for all funds, and includes some payments for previous year(s) liabilities). This tax is the third largest source of revenue among taxes supporting Ohio's General Revenue Fund.

Most of the FY 2005 revenue, amounting to $1,051.6 million, or 94.6 percent, was distributed to the General Revenue Fund. The Local Government Fund received $41.5 million or 3.7 percent; and $5.9 million or 0.5 percent was distributed to the Local Government Revenue Assistance Fund. The percentage share distributed to each fund was established by House Bill 95, the biennium budget bill for FY 2004-2005.

The tables in this chapter provide data from tax year 2004 taken from reports due and filed in 2004. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits was $898.5 million. After tax credits, liability was $715.7 million.

Data on financial institutions are reported separately from general corporations and are shown in the final table. Financial institutions reported tax liability before credits of $189.3 million for tax year 2004.

Of the total tax liability before credits for general corporations, about 76 percent came from net income taxpayers. Of all corporation franchise taxpayers, approximately 20 percent paid tax on net income, 32 percent paid tax on net worth, and the remaining 48 percent paid the minimum tax.

Of financial institutions, banks filed 65 percent of all returns and paid 78 percent of the total tax liability. Savings and loans filed 25 percent of returns and paid 21 percent of the total liability. Other types of financial institutions accounted for the balance of returns and tax liability.

Franchise Tax Phase-Out

For most taxpayers the franchise tax will phase-out (see also **Recent Legislation**) at the rate of 20 percent per year over each of the five franchise tax years 2006 through 2010 (taxable years ending in 2005 through 2009). During the same period Ohio's new commercial activity tax (CAT) will be phased in. As a result of the phase-out, the 2009 franchise tax report (based on the taxpayer's taxable year ending in 2008) will be the last franchise tax report for most taxpayers. The franchise tax phase-out does not apply to: (1) financial institutions and their affiliates and (2) securitization companies. Financial institutions and their affiliates and certain securitization companies continue to be subject to the franchise tax and are not subject to the CAT.

Taxpayer (Ohio Revised Code 5733.01):

The Ohio corporation franchise tax is imposed on both domestic and foreign corporations for the privilege of doing business in Ohio. It is paid by corporations that:

- are organized for-profit;
- own capital or property in Ohio;
- hold a charter or certificate of compliance authorizing business operations in Ohio; or
- have nexus with Ohio.

Unless exempted, both domestic and foreign for-profit corporations and nonprofit agricultural cooperatives (i.e., Chapter 1729 or like corporations) are subject to the corporation franchise tax. Business trusts defined in R.C. 1746.01 and having nexus with Ohio are also subject to the corporation franchise tax.

Tax Base (R.C. 5709.50, 5709.65, 5733.04, 5733.05, 5733.051, 5733.056):

The franchise tax is levied on the value of a corporation's issued and outstanding shares of stock. Generally a corporation must determine the value of that stock under both the net income and net worth base, and pay on the base that produces the greater tax.

Financial institutions are not subject to the tax on net income but are subject to the tax on the net worth base at a higher rate than other taxpayers.

Exhibit 1 - Corporation Franchise Tax
Net Worth Tax Base

Ohio Taxable Value = Net Value of Stock* x [(Property factor x .20) + (Payroll Factor x .20)** + (Sales Factor x .60)]****

* Excludes value of pollution control, coal conversion, and energy conversion facilities property, qualified property in an enterprise zone, and land devoted exclusively to agriculture. See **Exhibit 2** for explanation of factors.

** Net income base apportionment ratio adjusted to include nonbusiness property, payroll, and sales excluded from the net income base apportionment factors.

Exhibit 2 - Corporation Franchise Tax
Net Income Tax Base (does not apply to financial institutions)

Ohio Taxable Income* = Business Income Apportioned to Ohio + Nonbusiness Income Allocated to Ohio — Ohio Net Operating Loss Carryforward Deduction

* Also includes income (or deducts a loss) from a transferor corporation and includes positive adjustments (or deducts negative adjustments) for related entities and related members.

1. Net Income Apportionment Formula:

Ohio Apportioned Net Income = Apportionable Income x [(Property Factor x .20) + (Payroll Factor x .20) + (Sales Factor x .60)]

2. The factors are computed as follows (a):

Property Factor (b) = $\frac{\text{Average cost of owned or rented real and tangible personal property used in business in Ohio}}{\text{Average cost of such property used everywhere}}$

Payroll Factor (c) = $\frac{\text{Total compensation paid in Ohio}}{\text{Total compensation paid everywhere}}$

Sales Factor (d) = $\frac{\text{Sales in Ohio}}{\text{Sales everywhere}}$

(a) The net income base factors do not include property, payroll or sales relating to nonbusiness income.

(b) Excludes from both the numerator and the denominator the original cost of: (1) property within Ohio with respect to which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate; and (2) property used exclusively during the taxable year for qualified research. Excludes from only the numerator the original cost of qualifying improvements to land or tangible personal property at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

(c) Excludes from both the numerator and the denominator compensation paid in Ohio to employees engaged in qualified research. Excludes from only the numerator compensation paid to certain new employees at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

(d) For sales of tangible personal property, sales inside and outside of Ohio are determined by the final destination of the property sold; other sales are sitused according to where the purchaser received the benefit of that which was purchased. Sales derived from nonbusiness allocable income are not included in this factor. Interest and dividends likewise are not included in the sales factor.

Qualifying holding companies and certain high-tech start-up companies pay tax on the net income base only.

1. **Net Worth Base* (R.C. 5733.05(C):**
   The net worth base value of issued and outstanding shares of stock is determined by subtracting from book net worth those items excluded by statute (see **Exemptions and Exclusions**). The tax is calculated by multiplying the taxpayer's adjusted net worth by the net worth apportionment ratio by the net worth tax rate of four mills (.004). For financial institutions, the tax is determined by multiplying the taxpayer's adjusted net worth by the taxpayer's Ohio apportionment ratio by the net worth rate of 13 mills (.013).
   (* See **Exhibit 1**)
2. **Net Income Base (R.C. 5733.05(B):**
   The net income base value of issued and outstanding shares is calculated by making certain deductions from and additions to federal taxable income before net operating loss deductions and special deductions for the taxable year (see **Exemptions and Exclusions**). The adjusted income is then allocated (nonbusiness income) or apportioned (business income) in and outside Ohio.

Allocable Income (for taxable years ending after June 25, 2003)(R.C. 5733.051):
Unless the Tax Commissioner requires an alternative method of allocation or approves the taxpayer's requested alternative method, only nonbusiness income is allocated in and outside Ohio.
Apportionable Income (for taxable years ending after June 25, 2003):
All income is presumed to be apportionable business income unless the taxpayer shows otherwise or the Tax Commissioner approves or requires an alternative method of apportionment. Business income is apportioned to Ohio according to a weighted three-factor formula: property, payroll and sales (see **Exhibit 2**).
Net Income:
Ohio taxable (net) income is equal to the sum of nonbusiness income allocated to Ohio and business income apportioned to Ohio less Ohio net operating losses carried forward from an earlier year.

Rates (R.C. 5733.06):

1. **Franchise Tax Rates:**
   Net Worth –
   Net worth taxable value is taxed at the rate of four mills (.004). The maximum tax on the net worth base is $150,000 per taxpayer (non-financial institutions).
   Net Income –
   Net income is taxed at the rate of 5.1 percent on the first $50,000 of Ohio taxable income and 8.5 percent on Ohio taxable income in excess of $50,000. Corporations that meet the ownership requirements to file a combined report must share the $0 to $50,000 tax bracket to which the 5.1 percent rate applies, regardless of whether or not they actually file a combined return.

Minimum fee –
For taxable years ending after June 25, 2003, the minimum tax liability for certain large taxpayers is $1,000, and for taxpayers other than large taxpayers, the minimum fee is $50.

For franchise tax report years 2006, 2007, 2008, 2009, and 2010, franchise taxpayers that are subject to the phase-out will pay 80 percent, 60 percent, 40 percent, 20 percent, and 0.0 percent, respectively, of the franchise tax after nonrefundable credits that they would otherwise be required to pay. Nevertheless, the nonrefundable credit for tax paid by a qualifying pass-through entity is not subject to the phase-out percentages and thus this credit remains recoverable at 100 percent over the course of the phase-out.

2. **Litter Tax Rates (R.C. 5733.065 and 5733.066):**
   Tier I litter tax applies to all corporations except family farm corporations and financial institutions. The rates are:
   Net Worth – 0.14 mills (.00014) on the taxable value (adjusted net worth) of the corporation, or
   Net Income – 0.11 percent (.0011) on the first $50,000 of Ohio taxable income plus 0.22 percent (.0022) on taxable income in excess of $50,000. The maximum Tier I litter tax charged any taxpayer or group of combined taxpayers is $5,000.

   Tier II litter tax applies to taxpayers that manufacture or sell litter stream products in Ohio. The rates are:
   Net Worth – 0.14 mills (.00014) on the taxable value of the corporation, or
   Net Income – 0.22 (.0022) percent on Ohio taxable income in excess of $50,000. The maximum Tier II tax charged any taxpayer or group of combined taxpayers is $5,000.

   Litter stream products include general beverages, beverage containers and packaging, take-out food packaging, tobacco products, candy, and gum.

3. **Financial Institutions Rate (R.C. 5733.06):**
   Financial institutions are subject to tax on the net worth base at a rate of 13 mills (.013).

Exemptions, Exclusions, Deductions and Additions:

1. **Corporations not Subject to the Franchise Tax (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10):**
   (a) Nonprofit corporations (except certain agricultural and consumer cooperatives);
   (b) Municipal corporations;
   (c) Public utilities subject to public utility excise tax;
   (d) Credit unions;
   (e) Dealers in intangibles;
   (f) Corporations required to file annual reports with the Ohio Superintendent of Insurance;
   (g) Subject to certain restrictions, "Real estate investment trusts," "regulated investment companies," and "real estate mortgage investment conduits" as defined in the Internal Revenue Code (I.R.C.);

(h) Corporations electing treatment as an "S" corporation under the I.R.C. and their qualified subchapter S subsidiaries (QSSS);
(i) Limited liability companies (LLCs), if treated as a partnership for federal tax purposes; and
(j) Corporations in Chapter 7 bankruptcy proceedings except for the portion of the current tax year such corporation had the power to exercise its corporate franchise unimpaired by such proceedings.

2. Additions and Deductions in Determining Net Worth (R.C. 5709.25, 5709.35, 5709.50, 5709.65, 5915.29, 6111.36 and 5733.056):

Add to book net worth (assets minus liabilities) the "qualifying amount" (see R.C. 5733.05(D)(1)) (does not apply to financial institutions).
Deduct from book net worth:
(a) Certified Ohio civil defense structures;
(b) Land in Ohio devoted exclusively to agriculture;
(c) Qualified improvements to property located in an enterprise zone (applies only to financial institutions); and
(d) Appreciation and goodwill (applies only to financial institutions).

3. Adjustments in Determining Ohio Net Income (R.C. 5709.35, 5733.04, 5733.042, 5733.053, 5733.054, 5733.055, and 5733.058):

(a) Deduct certain income from sources outside the United States;
(b) Deduct I.R.C. section 243 dividends received deduction;
(c) To the extent not otherwise deducted, deduct dividends received from public utilities, insurance companies, and financial institutions in which the taxpayer has the ownership interests as described by statute (receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
(d) Deduct gains and add losses from the sale of capital assets and I.R.C. section 1231 assets to the extent such gains and losses occurred prior to becoming a taxpayer;
(e) Deduct interest on Ohio public and purchase obligations and gains from the sale of Ohio public obligations (losses from sales of Ohio public obligations are added to net income);
(f) Deduct wage and salary expense not otherwise deducted for federal tax purposes because of the targeted jobs tax credit and/or the work opportunity tax credit;
(g) Deduct net interest income on federal government obligations;
(h) Deduct Ohio net operating loss carried forward from the prior 20 years (there is no Ohio net operating loss carry back provision);
(i) Deduct amounts contributed to an individual development account program;
(j) Deduct net income attributable to an "exempted investment" in a public utility (net loss from exempted investment in a public utility is added to net income);
(k) Deduct taxable temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July1, 2005; see R.C. section 5751.53(H)(3)).
(l) Add the amount claimed as a credit for taxes paid by a qualifying pass-through entity to the extent that the amount was deducted or excluded from the corporation's federal taxable income;
(m) Add interest and intangibles expense paid to certain related members;
(n) Add income (and deduct losses) earned by a transferor corporation that merges into the taxpayer in a tax-free reorganization; and
(o) Add depreciation expense adjustment for I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 depreciation and miscellaneous federal tax adjustments as required. Deduct one-fifth of this add-back in each of the five subsequent years. Deduct any miscellaneous federal tax adjustments as required.
(p) Add distributive or proportionate share of pass-through entity expenses paid to, losses incurred from transactions with, and excess inventory costs paid to related members for taxable years ending after June 29, 2005.
(q) Add deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July 1, 2005; see R.C. section 5751.53 (H)(2)).

Credits:

1. Credit for Recycling and Litter Prevention Donations (R.C. 5733.064):

Taxpayers may claim a nonrefundable credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships that qualify for grants from the litter control and recycling special account. This credit is limited to the lesser of cash donations or 50 percent of the additional tax liability from the litter tax rates.

2. Enterprise Zone Day Care and Training Credits (R.C. 5709.65(A)):

Taxpayers that locate in an enterprise zone and hold a tax incentive qualification certificate issued by the Ohio Department of Development may claim a nonrefundable credit equal to:
(a) The amount reimbursed to specified employees for the cost of day care services up to a maximum of $300 per child;
(b) The amount reimbursed to specified employees for training costs up to a maximum of $1,000 per employee.

3. Credit for Savings and Loan Association Fees (R.C. 5733.063):

Savings and loan associations are permitted a nonrefundable credit against the tax due that is equal to the annual assessment the association paid to the Division of Savings and Loan Associations under R.C. 1155.13, less the amount the association paid in supervisory fees during the taxable year to the Federal Savings and Loan Insurance Corporation (or the amount it would have paid if insured).

4. Credit for Taxes Paid by a Qualifying Pass-Through Entity (R.C. 5733.0611):

A corporation that is a qualifying investor in a qualifying pass-through entity can claim a nonrefundable credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

5. New Jobs Credit (R.C. 5733.0610):

A taxpayer may claim a refundable credit for new jobs created pursuant to an agreement with the Tax Credit Authority created under R.C. 122.17. The credit equals a designated percentage of the total

Ohio income tax withheld from new employees during the taxable year. The percentage is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to ten years.

6. **Credit for Grape Production Property (R.C. 5733.32):**
A taxpayer may claim a nonrefundable credit equal to 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.
7. **Credit for Eligible New Employees in an Enterprise Zone (R.C. 5709.66):**
A taxpayer that is issued a tax credit certificate for an eligible employee may claim a $1,000 nonrefundable credit for each taxable year covered under the enterprise zone agreement during which the eligible employee is employed by the taxpayer.
8. **Technology Investment Tax Credit (R.C. 5733.35):**
Investors that provide capital to certain qualifying small, Ohio-based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25 percent of the taxpayer's at-risk investment. The credit must be approved by the state Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to all taxpayers cannot exceed $10 million.
9. **Credit for Purchases of New Manufacturing Machinery and Equipment – 7.5 Percent/13.5 Percent Credit (R.C. 5733.33) and Grant for Purchases of New Manufacturing Machinery and Equipment:**
For taxable years ending on or after July 1, 2005, the manufacturer's credit converts to a grant administered by the Ohio Department of Development. Thus, tax year 2006 taxpayers whose taxable year ended prior to July 1, 2005 must claim the credit and taxpayers whose taxable year ended on or after July 1, 2005 must claim the grant (even for the 1/7 amounts from 2004 and earlier qualifying purchases). Because the taxable year for the 2007 franchise report and reports thereafter will end after July 1, 2005, only the grant will be available on the franchise tax form for tax years 2007 and thereafter.
The qualifying purchase period for the credit and the grant ended on June 30, 2005. (Under prior law the credit would have applied to qualifying purchases of new manufacturing machinery and equipment through December 31, 2015.) So, franchise taxpayers may claim neither a credit nor a grant for new manufacturing machinery and equipment purchased after June 30, 2005.

The nonrefundable credit/grant equals 7.5 percent of the amount by which the cost of qualifying equipment purchased during a calendar year for use in an Ohio county exceeds the taxpayer's "base investment" for that county. The credit/grant rate for investments in certain eligible areas (inner city areas, distressed areas, labor surplus areas, situational distress areas, and certain Ohio counties) is 13.5 percent. One-seventh of the credit/grant may be claimed in each of the seven tax years following the purchase year. For those taxpayers that are subject to the franchise tax phase-out, the credit/grant will end with their final (2009) franchise tax report because the unused 1/7 credit/grant amounts cannot be applied against the CAT.

10. **Day Care Credit (R.C. 5733.37):**
A nonrefundable tax credit equal to 50 percent of the start-up expenses of a day care center established on the taxpayer's site and used by the taxpayer's employees (the maximum credit is $100,000) may be claimed for tax years 1999 through 2003. No new credit is generated for tax year 2004 and thereafter. Unused credits may be carried forward for five taxable years.
11. **Credit for Qualifying Affiliated Groups (R.C. 5733.068):**
If as a result of the related entity and related member adjustments, an affiliated group would pay over $3.5 million more franchise tax than the members of the group otherwise would have paid had the members of the group not made the related entity and related member adjustment, then the members of the affiliated group may claim a nonrefundable credit equal to the difference between the additional tax and $3.5 million. However, the credit is limited to $1.5 million for the affiliated group (even if the additional tax exceeds $5 million).
12. **Job Training Credit (R.C. 5733.42):**
This temporary nonrefundable credit applies to franchise taxpayers for tax years 2004, 2005 and 2006 that incurred "eligible training costs" and received a tax credit certificate from the Ohio Director of Job and Family Services with respect to an "eligible training program" for "eligible employees." The credits cannot exceed $20 million per calendar year and are granted to qualified applicants through means of a lottery-based allocation.
13. **Credit for Maintaining Railroad Crossing Warning Devices (R.C. 5733.43):**
Railroad companies can claim a nonrefundable credit for maintaining signs, signals, gates, and other electrical warning devices at public highway-railway crossings in Ohio at common grade. The credit equals 10 percent of the annual maintenance costs for each active grade-crossing warning device in Ohio and cannot exceed $200 for each device.
14. **Job Retention Credit (R.C. 5733.0610(B)):**
This nonrefundable credit applies to manufacturers that make a capital investment of at least $200 million (or under certain conditions $100 million) at a single Ohio site during three consecutive calendar years in the period beginning January 1, 2002 and ending December 31, 2006. To qualify, the taxpayer must employ an average of 1,000 full-time employees at the site during each of the 12 months preceding application. In addition, the taxpayer must retain at least 1,000 full-time employees at the site for the entire term of the credit agreement.

The credit is determined in an agreement between the taxpayer and the Ohio Tax Credit Authority and equals a percentage (not to exceed 75 percent) of the Ohio income tax withheld from the wages paid to the taxpayer's employees at the project site. The credit began in tax year 2003 and is limited to a term of ten years. For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the R.C. 5733.0610(B) nonrefundable job retention credit applies is the 2008 report. The franchise tax credit then automatically converts to a

nonrefundable credit against the CAT for tax periods beginning on or after July 1, 2008 for the remaining years of the taxpayer's agreement with the Ohio Tax Credit Authority.

15. **Ethanol Plant Investment Credit (R.C. 5733.46 and 901.13):**
This nonrefundable credit equals 50 percent of the taxpayer's investment in a R.C. 901.13 certified ethanol plant in the calendar year preceding the tax year. The credit is limited to $5,000 per taxpayer per plant. The credit began in tax year 2003 .
16. **Credit for Qualified Research Expense (R.C. 5733.351):**
For years 2004 and thereafter this nonrefundable credit equals 7.0 percent of the amount by which the taxpayer's "qualified research expense" (see I.R.C. section 41) in Ohio during the taxable year exceeds the taxpayer's average annual qualified research expenses for the three preceding years. For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the nonrefundable credit for qualified research expense will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT and any unused franchise tax credit credit carryforward can be applied toward the CAT for tax periods beginning after June 30, 2008 provided that the total number of carryforward years under the franchise tax and the CAT does not exceed seven.
17. **Lottery Commission Withholding Credit (R.C. 5747.062(B)(2)):**
This refundable credit equals the amount the Ohio Lottery Commission withheld from payments to the taxpayer.
18. **Credit for Small Telephone Companies (R.C. 5733.57):**
For tax years 2005 through 2009 certain small telephone companies can claim a credit equal to a percentage of the amount by which the telephone company's tax before credits exceeds the public utility gross receipts tax that would have been charged had the law not been changed.
19. **Nonrecurring 9-1-1 Charges Credit for Telephone Companies (R.C. 5733.55):**
Beginning in tax year 2005, a telephone company is allowed a nonrefundable credit equal to the amount of the company's eligible nonrecurring 9-1-1 charges. A telephone company must claim this credit for the taxable year in which the 9-1-1 service becomes available for use.
20. **Credit for Providing Programs to Aid the Communicatively Impaired (R.C. 5733.56):**
Beginning in tax year 2005, a telephone company can claim a nonrefundable credit if it provides a telephone service to aid the communicatively impaired in accessing the telephone network under R.C. 4905.79. The credit equals the cost of providing the program during the taxable year, excluding any costs incurred prior to July 1, 2004. Substitute H.B. 66 made an amendment for tax year 2005. The law allows any telephone company providing services for the hearing impaired to claim the full amount of the nonrefundable tax credit authorized by R.C. 5733.56.
21. **Research and Development Loan Repayment Credit (R.C. 5733.352):**
The amount of the credit equals the borrower's qualified research and development loan payments during the calendar year immediately preceding the tax year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development. For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise tax report year for which the nonrefundable research and development loan repayment credit will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after January 1, 2008, and any unused franchise tax credit carryforward can be applied toward the CAT as provided in R.C. section 5751.52.

Special Provisions

1. Corporations ceasing business in Ohio may be subject to an "exit tax" on unreported Ohio net income earned in the two calendar years prior to the tax year (see R.C. 5733.06(H)).
2. A transferee corporation in a tax-free reorganization is required to include in its income the income of the transferor if the transferor is not subject to the franchise tax (see R.C. 5733.053).
3. A corporation claiming the credit for its proportionate share of taxes paid by a qualifying pass-through entity must add to federal taxable income the amount claimed as a credit, to the extent such amount was deducted or excluded from the corporation's federal taxable income (see R.C. 5733.04(I)(14)).
4. Qualifying pass-through entities (partnerships, S corporations, and LLCs treated as a partnership for federal income tax purposes) doing business in or having nexus with Ohio:
   - are required to pay tax on the qualifying investors' share of the entity's Ohio profits.
   - are subject to a 5.0 percent withholding tax on the sum of the (individual's) distributive shares of the entity's Ohio income and gain.
   - are subject to an 8.5 percent tax on the sum of the (non-individual's) distributive shares of Ohio income and gain. For the pass-through entity's taxable year ending in 2005, the pass-through entity's tax rate on its Ohio income that passes through to its qualifying investors that are subject to the phase-out, the rate is 6.8 percent. The tax is due only if the adjusted qualifying amount exceeds $1,000 (see R.C.5733.40, 5733.41, 5733.04(I)(14), 5733.0611, 5747.41 through 5747.453, 5747.01(A)(16) and 5747.059).
5. The net worth tax for financial institutions differs substantially from the net worth tax for regular corporations (see R.C. 5733.056).
6. Each taxpayer must include in its adjusted qualifying amounts, allocable and apportionable income or loss, property, compensation, and sales, the taxpayer's proportionate or distributive share of such items for any pass-through entity in which the taxpayer has a direct or indirect ownership interest (see R.C. 5733.057).

7. If more than half of a taxpayer's capital stock (with voting rights) is owned or controlled by another corporation or by a related interest, the Tax Commissioner may permit or require the combining of net income to calculate the tax base. Qualifying taxpayers may elect to file a combined report if each has nondividend income from Ohio. This election may not be changed by the taxpayer without the Tax Commissioner's consent. Combination provisions do not apply to the net worth base (see R.C. 5733.052).
8. Intangible expenses and costs paid to certain related members are added to income (see R.C. 5733.042).

Filing and Payment Dates (R.C. 5733.02, 5733.021, 5733.022 and 5733.13):

January 31:
If by this date the corporation does not file the annual report and make full payment of the tax due, then the corporation must file an estimated report and pay one-third of that estimated liability. If the estimated tax liability is the minimum fee, the corporation must make full payment by January 31.
March 31:
By this date, the corporation must either file its franchise tax report and pay the remaining tax due or the corporation must file a request for extension and pay the second one-third of its estimated tax liability.
May 31:
By this date, a corporation must either file the annual report and pay the remaining tax due or file a request for additional extension and pay the remaining one-third of its estimated tax liability. A corporation receiving this extension must file its annual report and pay any remaining tax liability by the 15th day of the month following the extended due date for filing its federal corporation income tax return.

The interest rate on both underpayments and overpayments is based on the average federal short-term rate in effect in July of the previous year plus three percentage points. For calendar year 2005, the rate is 5.0 percent. The rate will increase to 6.0 percent in calendar year 2006.

Disposition of Revenue (R.C. 4981.09, 5733.12, 5733.122):

After necessary deposits to the Attorney General Claims Fund, the Litter Control Tax Administration Fund, and the Recycling and Litter Prevention Fund, the Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund receives 0.6 percent, and the General Revenue Fund receives 95.2 percent of collections.

This distribution has been temporarily replaced, however (see the chart **Distribution of Revenue from Corporation Franchise Tax** for the FY 2005 distribution). House Bill 95, 125th General Assembly, the FY 2004-2005 biennium budget bill, continued a freeze on local government funds that began in 2002 and froze the funds at their FY 2001 levels.

For each month of FY 2005, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2003 - June 2004 period.

An uncodified provision of H.B. 66, the FY 2006-2007 biennium budget bill, froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.

The amount appropriated annually for administration of the litter tax is credited to the Litter Control Tax Administration Fund. The annual amount credited to the Recycling and Litter Prevention Fund equals the litter tax liability in the second preceding year.

Administration:

The corporation franchise tax is administered by the Department of Taxation. Some tax credits and grants are administered by the Ohio Department of Development. Tax payments are payable to the Ohio Treasurer of State but are received by the Department of Taxation. Certain large taxpayers are required to pay by electronic funds transfer (EFT). Taxpayers that are required to pay by EFT must register through the Treasurer of State.

Ohio Revised Code Citations:

Chapters 122, 1733, 4981, 5703, 5709, 5733, 5751 and 5915.

Recent Legislation

Amended Substitute H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005 for taxable years ending on or after July 1, 2005).

Phase-Out of the Corporation Franchise Tax

The corporation franchise tax phases out for most corporations over a five-year period starting in 2006. A corporation will continue to compute its corporation franchise tax liability over the next five years, but will pay a smaller percentage of the tax computed each year until the tax is totally phased out in 2010. A corporation will pay either the minimum tax ($50 for small companies and $1,000 for larger companies), or its computed tax, whichever is greater. In calculating its corporation franchise tax, a corporation will take any nonrefundable credits first (except for the pass-through entity tax credit). Then, the corporation will reduce its remaining liability by a percentage: 20 percent for 2006, 40 percent for 2007, 60 percent for 2008, and 80 percent for 2009. The pass-through entity tax credit and the refundable tax credits are then taken after making that calculation. For most corporations, there will be no franchise tax payable for tax year 2010 and forward.

Most corporations will continue to claim any unused net operating loss carryforwards on their future returns. Certain companies with Ohio net operating losses in excess of $50 million will be allowed to claim a portion

of their unused net operating losses and other net deferred tax assets as a credit against the commercial activity tax.

Certain corporations will continue to pay the franchise tax. These include: banks and other financial institutions (and most of their majority-owned affiliates), and securitization types of companies. The franchise tax on these companies will be based on the corporation franchise tax law prior to its amendment by H.B. 66 (no phase-out).

Ohio law allows businesses to take a credit against their franchise tax for purchases of new manufacturing machinery and equipment. This credit (or the new grant) will no longer be available for purchases of qualifying equipment made after June 30, 2005. In addition, the qualifying machinery and equipment purchased prior to July 1, 2005 must be installed by June 30, 2006. The law also clarifies an existing requirement that a taxpayer (which can be a pass-through entity for investors in that entity) must also file a "Notice of Intent" with the Ohio Department of Development by the filing date (plus any extensions) for the taxpayer's taxable year that includes September 30, 2005. Thus, the failure to file such notice of intent by that date now has a consequence — it will result in the taxpayer being denied the credit (or grant). The current credit for taxpayers with fiscal years ending after June 30, 2005 may no longer be claimed as a tax credit. Instead, such taxpayers must claim a grant, administered by the Ohio Department of Development. The same eligibility requirements applicable to the former credit for new manufacturing machinery and equipment also apply to the grant. The terms and conditions for the new grants are essentially the same as those for the former credit. Any benefits that could be taken under the credit must now be taken under the grant.

Additionally, taxpayers that are subject to the franchise tax phase-out and the CAT phase-in may not claim their unused nonrefundable franchise tax credits or credit carryforwards as a credit against the CAT. Exceptions to that general rule include the following three nonrefundable credits: the job retention credit, the credit for qualified research expense, and the research and development loan repayment credit.

For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the nonrefundable job retention credit applies is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after July 1, 2008 for the remaining years of the taxpayer's agreement with the Ohio Tax Credit Authority.

For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the nonrefundable credit for qualified research expense will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT and any unused franchise tax credit credit carryforward can be applied toward the CAT for tax periods beginning on or after July 1, 2008 provided that the total number of carryforward years under the franchise tax and the CAT does not exceed seven.

For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise tax report year for which the nonrefundable research and development loan repayment credit will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after January 1, 2008, and any unused franchise tax credit carryforward can be applied toward the CAT as provided in R.C. section 5751.52.

H.B. 66 amended R.C. section 5733.98 changing the order in which nonrefundable franchise tax credits are recovered for report years 2006 and thereafter. For franchise tax years 2006 and thereafter, the credit for tax paid by a qualifying pass-through entity is deducted after all other nonrefundable credits and the research and development loan repayment credit is deducted immediately before the credit for tax paid by a qualifying pass-through entity. The credit for tax paid by a qualifying pass-through entity is not subject to the phase-out and therefore is recoverable at 100 percent.

Credit for Losses on Loans to the Ohio Venture Capital Program. If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is less than or equal to the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the amount shown on the credit certificate.

If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is greater than the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the sum of: (1) the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, and (2) 75 percent of the amount by which the refundable credit exceeds the tax after all nonrefundable credits.

Caution: This credit may not be claimed until the beginning of the fifth year after the authority establishes its investment policy. The authority established its investment policy on June 13, 2004. Thus, this credit cannot be claimed on the 2006 franchise tax report and is not included on the tax form.

Recent Significant Court Decisions:

National City Bank, Cleveland (n/k/a National City Bank), c/o National City Corporation v. Zaino (July 22, 2005), BTA Case No. 2003 A-1328. The Board of Tax Appeals affirmed the commissioner's findings in determining that increases in the cash surrender values (CSV) of the taxpayer's bank-owned life insurance (BOLI) contracts are not considered appreciation and therefore should not be excluded in computing the taxpayer's net worth subject to franchise tax.

New World Communications of Ohio, Inc. and WJW License Inc. v. Zaino (March 18, 2005), BTA Case No. 2003 A-1732, 2003 A-1733. In determining the value of issued and outstanding shares under the net worth base following the taxpayer's emergence from bankruptcy and adoption of "fresh-start" reporting, the Board of Tax Appals ruled that the unamortized value of an FCC license may not be deducted as goodwill pursuant to former R.C. 5733.05(A)(4). Consistent with Generally Accepted Accounting Principles,

Ohio case law provides that an asset is not goodwill if it can be separately purchased and sold and has a separately identifiable value. An FCC license is an identifiable intangible asset capable of being assigned a specific value separate from goodwill. While FCC regulations may prohibit the transfer of an FCC license without the related assets, the license's value can be quantified, as it is valued independently from the other assets included in the sale of a radio station.

Wesnovtek Corp. v. Wilkins (2005), 105 Ohio St.3d 312, 2005-Ohio-1826. Reversing the Board of Tax Appeals, the Ohio Supreme Court held as follows: (1) Pursuant to former R.C. 5733.051 as it applied to the 1988 tax year at issue, the taxpayer's net loss from the bulk sale of inventory located in Ohio was apportionable rather than allocable because inventory is not a capital asset and gain or loss from the sale of inventory is not a capital gain or loss, (2) proceeds from the bulk sale of inventory located in Ohio are included in the numerator of the sales factor, and (3) the Tax Commissioner properly declined to consider the taxpayer's written request for deviation from the standard allocation and apportionment formula because the taxpayer failed to file its request in writing at the time it filed its 1988 franchise tax report as was required by R.C. 5733.05(B)(2)(d) as it read for tax year 1988.

Cuno v. DaimlerChrysler (September 2, 2004), 04a0293p.06, United States Court of Appeals for the Sixth Circuit. In Cuno v. DaimlerChrysler, Inc. (Sept. 2, 2004), a three-judge panel of the U.S. Sixth Circuit Court of Appeals issued an opinion holding that the Ohio tax credit for new manufacturing machinery and equipment violates the Commerce Clause of the U.S. Constitution and enjoined its enforcement. The State of Ohio will seek review of the court's decision. Because a review of the decision is being made, ODT is not currently enjoined from administering the tax credit. As stated above, ODT is currently allowing taxpayers to claim the credit in those circumstances where purchases of new manufacturing machinery and equipment qualify for the credit under Ohio law. ODT will continue to monitor the situation and issue future guidance.

Federated Department Stores v. Zaino (January 9, 2004), BTA No. 2002-V-103. The Department of Taxation appealed the board's decision to the Ohio Supreme Court.

Issue: Following the taxpayer's emergence from Chapter 11 reorganization on February 4, 1992 and the taxpayer's adoption of "fresh-start" reporting, should the taxpayer's 1993 franchise tax net worth base reflect the taxpayer's higher net worth "fresh-start" values determined in accordance with Generally Accepted Accounting Principles (GAAP) and reported to the Securities and Exchange Commission on form 10-K and to shareholders in the taxpayer's annual report? Or, instead, should the taxpayer's 1993 franchise tax net worth base reflect the taxpayer's lower net worth "pre-fresh-start" historical values also prepared in accordance with GAAP and included in a balance sheet within the "notes" to the annual report to shareholders?

Holding: The board stated that the issue before it was not to choose from alternative sets of books (one set of books utilized by the taxpayer in its annual report and SEC form 10-K, and another set of books depicting the taxpayer's fiscal situation before emerging from bankruptcy and adopting fresh-start reporting). Rather, the issue was whether the books upon which the taxpayer relied in reporting its net worth values on the 1993 franchise tax report were consistent with GAAP. The board then agreed with the taxpayer that the earliest date that the taxpayer could have adopted fresh-start reporting was February 4, 1992. So, the taxpayer's use of the lower net worth amount was correct, and the "1993 corporation franchise tax report, which was prepared in conformance with generally accepted accounting principles, accurately reflects its book values as of February 1, 1992."

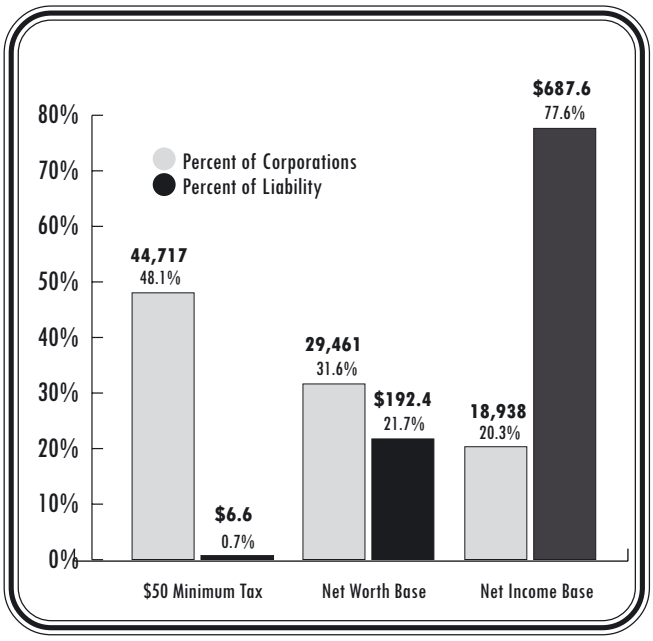
Percentage of Corporations and Tax Liability by Tax Base, Tax Year 2004

Total Number of Corporations 93,116

Total Reported Tax Liability $886.6 million

(figures in millions)

(excludes financial institutions)



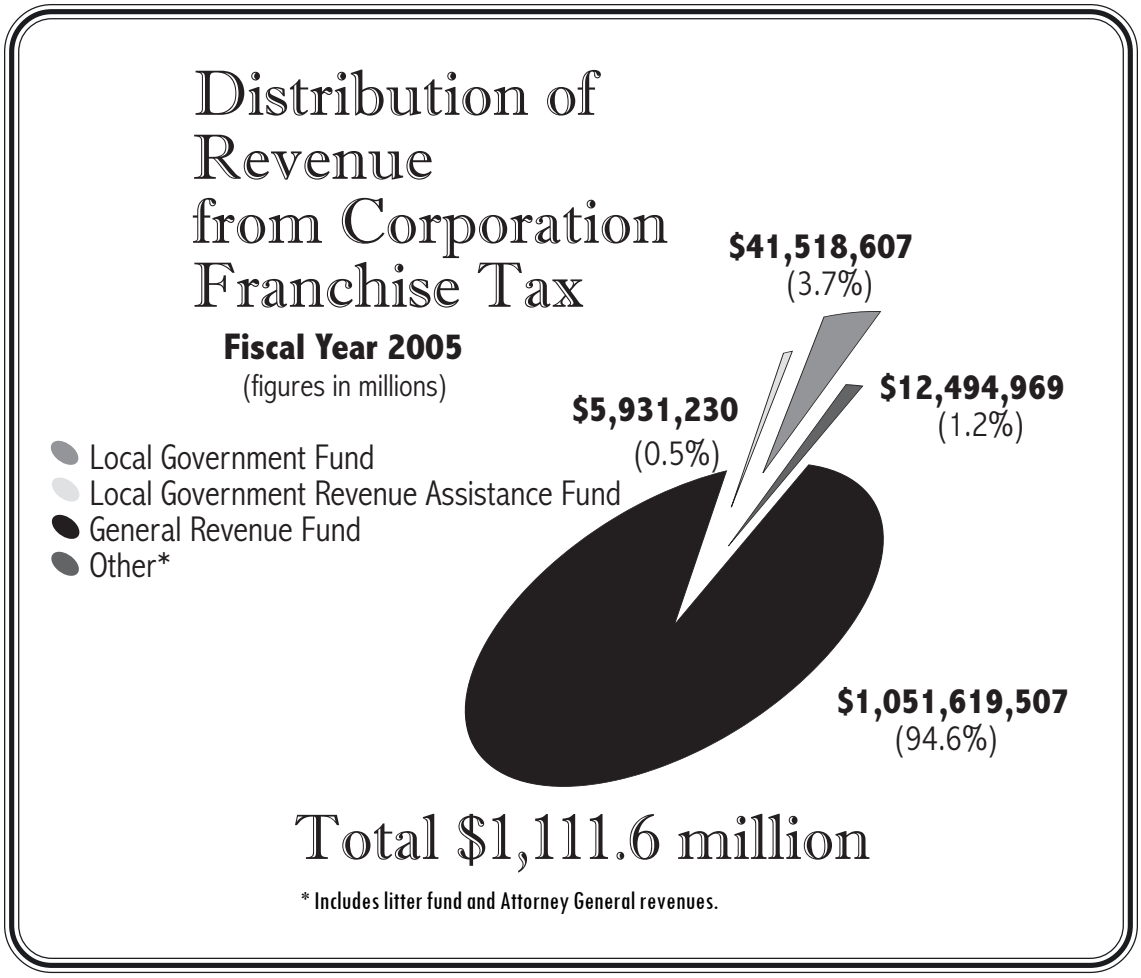


Table 1
Corporation Franchise Tax Collections, Fiscal Years 2001 - 2005

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
2001	$1,158,910,767	$185,943,569	$972,967,198
2002	1,011,443,330	237,075,921	774,367,410
2003	1,015,027,341	206,770,271	808,257,070
2004	1,060,594,780	190,009,406	870,585,374
2005	1,282,059,637	170,495,325	1,111,564,312

Table 2
Corporation Franchise Tax - Number of Corporations By Tax Base and Industry Tax Year 2004

Industry	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Agriculture & Forestry	414	490	244	1,148
Mining	242	264	95	601
Construction	2,587	2,670	1,311	6,568
Manufacturing	3,038	4,484	1,861	9,383
Transport, Communication, Utility	1,427	1,088	667	3,182
Wholesale Trade	1,644	2,352	1,279	5,275
Retail Trade	2,909	3,438	1,727	8,074
Finance, Insurance, Real Estate	4,111	3,074	2,076	9,261
Services	10,504	6,234	4,313	21,051
Unknown*	17,841	5,367	5,365	28,573
TOTAL	**44,717**	**29,461**	**18,938**	**93,116**

* Industry classification was not indicated by the taxpayer.

Table 3
Corporation Franchise Tax - Number of Corporations By Tax Base and Tax Liability Level Tax Year 2004

Tax Liability Level	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Minimum ($50 or $1,000)	44,717	—	—	44,717
$51 - 1,000	—	15,512	6,610	22,122
1,001 - 2,000	—	5,036	3,316	8,352
2,001 - 3,000	—	2,092	1,658	3,750
3,001 - 4,000	—	1,134	841	1,975
4,001 - 5,000	—	786	648	1,434
5,001 - 10,000	—	1,752	1,812	3,564
10,001 - 15,000	—	738	848	1,586
15,001 - 20,000	—	417	473	890
20,001 - 25,000	—	284	376	660
25,001 - 30,000	—	191	258	449
30,001 - 35,000	—	167	193	360
35,001 - 50,000	—	342	417	759
50,001 - 100,000	—	428	594	1,022
100,001 - 200,000	—	582	397	979
200,001 - 500,000	—	0	310	310
500,001 - 1,000,000	—	0	93	93
Over $1,000,000	—	0	94	94
TOTAL	**44,717**	**29,461**	**18,938**	**93,116**

Table 4
Corporation Franchise Tax - Reported Tax Liability by Tax Base and Industry Tax Year 2004

Industry	Tax Liability Before Litter Tax and Credits By Tax Base				Litter Tax (a)	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Agriculture & Forestry	$31,150	$895,955	$1,084,446	$2,011,551	$48,466	$2,060,017	$69,565	$1,990,452
Mining	27,300	2,074,561	3,787,140	5,889,001	120,878	6,009,879	1,240,604	4,769,275
Construction	306,050	5,549,507	22,460,447	28,316,004	463,495	28,779,499	325,092	28,454,407
Manufacturing	671,500	61,915,030	167,381,438	229,967,968	3,403,286	233,371,254	77,857,560	155,513,694
Transport, Communication, Utility	251,850	11,051,167	187,333,570	198,636,587	698,446	199,335,033	41,046,630	158,288,403
Wholesale Trade	246,550	13,495,018	58,542,711	72,284,279	1,032,020	73,316,299	13,969,141	59,347,158
Retail Trade	287,950	10,533,409	69,261,038	80,082,397	949,845	81,032,242	6,983,878	74,048,364
Finance, Insurance, Real Estate	428,800	20,675,858	56,947,420	78,052,078	1,139,845	79,191,923	14,823,797	64,368,126
Services	1,131,300	21,229,001	63,788,926	86,149,227	1,540,518	87,689,745	10,749,393	76,940,352
Unknown (b)	3,181,550	44,943,928	57,042,139	105,167,617	2,581,103	107,748,720	15,782,135	91,966,585
TOTAL	**$6,564,000**	**$192,363,434**	**$687,629,275**	**$886,556,709**	**$11,977,902**	**$898,534,611**	**$182,847,795**	**$715,686,816**

(a) Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

(b) Industry classification was not indicated by taxpayer.

Table 5
Corporation Franchise Tax - Reported Tax Liability By Tax Base and Tax Liability Level, Tax Year 2004

Tax Liability Level	Tax Liability Before Litter Tax and Credits By Tax Base				Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Minimum ($50 or $1,000)	$6,564,000	—	—	$6,564,000	—	$6,564,000	$6,008,684	$555,316
$51 - 1,000	—	$5,536,698	$2,840,958	8,377,656	$247,517	8,625,173	236,199	8,388,974
1,001 - 2,000	—	6,330,850	4,692,609	11,023,459	320,022	11,343,481	808,684	10,534,797
2,001 - 3,000	—	5,043,253	3,963,459	9,006,712	259,927	9,266,639	410,663	8,855,976
3,001 - 4,000	—	3,796,442	2,891,284	6,687,726	194,554	6,882,280	372,888	6,509,392
4,001 - 5,000	—	3,381,416	2,894,855	6,276,271	179,413	6,455,684	332,501	6,123,183
5,001 - 10,000	—	11,975,342	12,624,227	24,599,569	703,307	25,302,876	2,572,149	22,730,727
10,001 - 15,000	—	8,848,218	10,498,338	19,346,556	539,101	19,885,657	2,522,871	17,362,786
15,001 - 20,000	—	7,368,021	7,972,056	15,340,077	427,868	15,767,945	1,867,967	13,899,978
20,001 - 25,000	—	6,156,486	8,607,748	14,764,234	395,224	15,159,458	2,035,605	13,123,853
25,001 - 30,000	—	5,054,190	6,919,515	11,973,705	333,975	12,307,680	1,419,875	10,887,805
30,001 - 35,000	—	5,262,834	6,118,045	11,380,879	324,601	11,705,480	1,366,820	10,338,660
35,001 - 50,000	—	13,765,773	17,041,740	30,807,513	834,127	31,641,640	4,917,013	26,724,627
50,001 - 100,000	—	28,809,203	41,926,272	70,735,475	1,812,483	72,547,958	13,071,133	59,476,825
100,001 - 200,000	—	81,034,708	56,210,313	137,245,021	3,312,072	140,557,093	45,158,966	95,398,127
200,001 - 500,000	—	—	94,694,826	94,694,826	1,340,049	96,034,875	17,577,219	78,457,656
500,001 - 1,000,000	—	—	62,934,561	62,934,561	389,081	63,323,642	16,640,380	46,683,262
Over $1,000,000	—	—	344,798,469	344,798,469	364,581	345,163,050	65,528,178	279,634,872
TOTAL	**$6,564,000**	**$192,363,434**	**$687,629,275**	**$886,556,709**	**$11,977,902**	**$898,534,611**	**$182,847,795**	**$715,686,816**

* Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

Table 6
Corporation Franchise Tax - Number of Manufacturing Corporations By Tax Base and Industry Tax Year 2004

Industry	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Food	142	199	135	476
Tobacco Manufacturers	4	4	4	12
Apparel and Other Textiles	68	70	25	163
Lumber and Wood Products	116	167	64	347
Paper	83	109	37	229
Printing and Publishing	237	292	136	665
Chemicals	233	303	158	694
Petroleum and Coal	35	42	14	91
Rubber and Plastics	190	265	141	596
Leather Products	6	14	3	23
Stone, Clay & Glass Products	98	176	80	354
Primary Metal	126	183	59	368
Fabricated Metal	660	1,161	393	2,214
Machinery (non-electrical)	305	488	146	939
Electrical Machinery	260	326	125	711
Transportation Equipment	107	145	80	332
Miscellaneous Manufacturing	368	540	261	1,169
TOTAL	**3,038**	**4,484**	**1,861**	**9,383**

Table 7
Corporation Franchise Tax - Number of Manufacturing Corporations By Tax Base and Tax Liability Level Tax Year 2004

Tax Liability Level	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Minimum ($50 or $1,000)	3,038	—	—	3,038
$51 - 1,000	—	1,488	271	1,759
1,001 - 2,000	—	806	242	1,048
2,001 - 3,000	—	402	139	541
3,001 - 4,000	—	227	73	300
4,001 - 5,000	—	182	61	243
5,001 - 10,000	—	401	209	610
10,001 - 15,000	—	189	123	312
15,001 - 20,000	—	125	79	204
20,001 - 25,000	—	84	72	156
25,001 - 30,000	—	66	49	115
30,001 - 35,000	—	37	36	73
35,001 - 50,000	—	100	86	186
50,001 - 100,000	—	148	141	289
100,001 - 200,000	—	229	111	340
200,001 - 500,000	—	—	102	102
500,001 - 1,000,000	—	—	38	38
Over $1,000,000	—	—	29	29
TOTAL	**3,038**	**4,484**	**1,861**	**9,383**

Table 8
Corporation Franchise Tax - Reported Tax Liability for Manufacturing Corporations, by Tax Base and Industry Classification
Tax Year 2004

Industry	Tax Liability Before Litter Tax and Credits by Tax Base				Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Food	$34,650	$3,570,210	$25,171,815	$28,776,675	$290,915	$29,067,590	$7,150,728	$21,916,862
Tobacco Manufacturers	200	176,429	7,538,294	7,714,923	45,558	7,760,481	0	7,760,481
Apparel and Other Textiles	16,700	763,923	542,830	1,323,453	39,921	1,363,374	65,712	1,297,662
Lumber and Wood Products	15,300	1,430,956	1,604,131	3,050,387	74,283	3,124,670	1,108,043	2,016,627
Paper	19,350	2,490,019	2,206,758	4,716,127	104,283	4,820,410	3,514,098	1,306,312
Printing and Publishing	36,550	1,614,711	8,475,908	10,127,169	144,153	10,271,322	2,379,831	7,891,491
Chemicals	81,950	8,994,661	42,799,837	51,876,448	462,961	52,339,409	6,946,659	45,392,750
Petroleum and Coal	11,250	1,638,545	792,617	2,442,412	40,634	2,483,046	558,446	1,924,600
Rubber and Plastics	42,700	3,670,075	7,131,287	10,844,062	214,955	11,059,017	4,594,754	6,464,263
Leather Products	2,200	217,977	1,063,522	1,283,699	12,534	1,296,233	212,340	1,083,893
Stone, Clay & Glass Products	20,100	3,174,615	3,287,739	6,482,454	142,783	6,625,237	3,216,037	3,409,200
Primary Metal	33,850	3,493,859	3,780,102	7,307,811	143,208	7,451,019	6,879,202	571,817
Fabricated Metal	100,450	7,875,883	14,982,686	22,959,019	445,614	23,404,633	8,728,034	14,676,599
Machinery (non-electrical)	83,650	4,776,177	5,058,120	9,917,947	240,731	10,158,678	3,424,561	6,734,117
Electrical Machinery	66,200	6,266,280	8,759,916	15,092,396	299,911	15,392,307	4,991,129	10,401,178
Transportation Equipment	31,950	5,299,131	19,157,191	24,488,272	319,866	24,808,138	18,438,726	6,369,412
Miscellaneous Manufacturing	74,450	6,461,579	15,028,685	21,564,714	380,976	21,945,690	5,649,260	16,296,430
TOTAL	**$671,500**	**$61,915,030**	**$167,381,438**	**$229,967,968**	**$3,403,286**	**$233,371,254**	**$77,857,560**	**$155,513,694**

* Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

Table 9
Corporation Franchise Tax - Reported Tax Liability For Manufacturing Corporations, by Tax Base and Tax Liability Level, Tax Year 2004

Tax Liability Level	Tax Liability Before Litter Tax and Credits By Tax Base				Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Minimum ($50 or $1,000)	$671,500	—	—	$671,500	—	$671,500	$536,812	$134,688
$51 - 1,000	—	$601,586	$120,973	722,559	$23,444	746,003	89,222	656,781
1,001 - 2,000	—	1,003,647	360,560	1,364,207	42,600	1,406,807	385,456	1,021,351
2,001 - 3,000	—	957,237	331,807	1,289,044	41,037	1,330,081	263,854	1,066,227
3,001 - 4,000	—	758,286	251,531	1,009,817	31,894	1,041,711	227,059	814,652
4,001 - 5,000	—	783,132	284,166	1,067,298	32,626	1,099,924	219,320	880,604
5,001 - 10,000	—	2,724,454	1,469,682	4,194,136	126,191	4,320,327	1,066,179	3,254,148
10,001 - 15,000	—	2,352,561	1,504,172	3,856,733	110,253	3,966,986	1,933,048	2,033,938
15,001 - 20,000	—	2,101,643	1,345,986	3,447,629	105,675	3,553,304	884,567	2,668,737
20,001 - 25,000	—	1,820,273	1,716,610	3,536,883	98,855	3,635,738	864,200	2,771,538
25,001 - 30,000	—	1,737,829	1,314,088	3,051,917	88,536	3,140,453	720,513	2,419,940
30,001 - 35,000	—	1,161,802	1,132,106	2,293,908	68,870	2,362,778	608,381	1,754,397
35,001 - 50,000	—	4,051,811	3,554,813	7,606,624	218,253	7,824,877	2,472,465	5,352,412
50,001 - 100,000	—	10,228,131	10,309,459	20,537,590	531,367	21,068,957	7,193,104	13,875,853
100,001 - 200,000	—	31,632,638	15,505,064	47,137,702	1,196,700	48,334,402	28,910,036	19,424,366
200,001 - 500,000	—	—	32,427,505	32,427,505	422,964	32,850,469	11,769,723	21,080,746
500,001 - 1,000,000	—	—	26,191,256	26,191,256	161,112	26,352,368	8,881,167	17,471,201
Over $1,000,000	—	—	69,561,660	69,561,660	102,909	69,664,569	10,832,454	58,832,115
Total	**$671,500**	**$61,915,030**	**$167,381,438**	**$229,967,968**	**$3,403,286**	**$233,371,254**	**$77,857,560**	**$155,513,694**

*Combines Tier One litter tax, which is paid by all corporations, and Tier Two litter tax, which is paid only by "litter stream" corporations.

Table 10
Corporation Franchise Tax - Number of Financial Institutions and Reported Tax Liability, By Type of Institution, Tax Year 2004

	Number of Corporations By Type				Tax Liability Before Credits By Type				
Tax Liability Level	Banks	Savings & Loans	Other*	Total	Banks	Savings & Loans	Other*	Total	Tax Credits
Minimum ($50 or $1,000)	7	—	22	29	$4,150	—	$9,650	$13,800	—
$51 - 1,000	2	2	1	5	1,238	$854	799	2,891	—
1,001 - 2,000	1	—	1	2	1,376	—	1,335	2,711	—
2,001 - 3,000	3	2	1	6	7,611	5,424	2,922	15,957	—
3,001 - 4,000	2	—	—	2	7,618	—	—	7,618	—
4,001 - 5,000	1	—	—	1	4,837	—	—	4,837	—
5,001 - 10,000	4	—	2	6	31,196	—	15,423	46,619	—
10,001 - 15,000	5	1	—	6	64,099	10,541	—	74,640	$16,828
15,001 - 20,000	8	2	—	10	138,015	33,825	—	171,840	12,988
20,001 - 25,000	6	1	1	8	125,809	24,241	21,915	171,965	—
25,001 - 30,000	1	1	—	2	26,424	27,940	—	54,364	3,823
30,001 - 35,000	5	1	1	7	163,689	31,130	34,646	229,465	—
35,001 - 50,000	19	9	3	31	824,575	359,366	122,513	1,306,454	28,118
50,001 - 100,000	52	25	3	80	3,943,596	1,952,433	162,719	6,058,748	264,593
100,001 - 200,000	58	19	2	79	8,451,929	2,736,934	269,126	11,457,989	202,269
200,001 - 500,000	46	21	0	67	14,713,733	6,556,733	—	21,270,466	639,294
500,001 - 1,000,000	19	8	1	28	12,336,449	5,154,936	764,622	18,256,007	605,273
Over $1,000,000	16	8	—	24	106,747,094	23,382,739	—	130,129,833	19,113,615
TOTAL	**255**	**100**	**38**	**393**	**$147,593,438**	**$40,277,096**	**$1,405,670**	**$189,276,204**	**$20,886,801**

* Primarily credit agencies that accept deposits.

Dealers In Intangibles Tax

Ohio law provides for the taxation of shares in and capital employed by dealers in intangibles. In calendar year 2005, tax assessments on dealers in intangibles resulted in collections totaling more than $18.0 million, with approximately $11.3 million distributed to local governments and over $6.7 million to the state General Revenue Fund. In addition, nearly $18.0 million in tax was assessed on qualifying dealers in intangibles, payable to the state General Revenue Fund.

House Bill 405, 124th General Assembly, mandated that beginning in tax year 2003, a "qualifying dealer" is defined to be a dealer in intangibles that is a member of a controlled group of which a financial institution or insurance company is also a member. The tax paid by qualifying dealers is credited to the state General Revenue Fund.

Taxpayer (Ohio Revised Code 5725.01):

Firms having an office in Ohio and engaged in:

- lending money;
- discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness; or
- buying or selling bonds, stocks, or other investment securities.

Tax Base (R.C. 5725.13-15):

The tax base for dealers in intangibles is either:

1. Shares of stock of incorporated dealers in intangibles and unincorporated dealers in intangibles with capital stock divided into shares; or
2. Capital employed in Ohio by an unincorporated dealer in intangibles with capital stock not divided into shares.

For dealers in intangibles with offices in more than one state, the tax base is allocated to Ohio based on gross receipts from offices in Ohio as compared to gross receipts from all offices.

Rates (R.C. 5707.03):

Rate on fair value of shares or capital employed is eight mills (.008).

Exemptions (R.C. 5725.01 and 5725.26):

The following are excluded from the definition of a dealer in intangibles:

1. Institutions used exclusively for charitable purposes;
2. Insurance companies; and
3. Financial institutions.

Credits (R.C. 150.07, 150.10, 5707.031):

Starting with tax year 2006, qualifying dealers in intangibles may claim a refundable or nonrefundable venture capital credit against the dealer 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 (R.C.5725.10, 5725.14, 5725.16, 5725.22):

Second Monday in March — Returns must be filed by this date unless a time extension (not to exceed 30 days) is allowed by the Tax Commissioner.

First Monday in May — Tax Commissioner certifies the assessment of the shares or property representing capital to the Ohio Treasurer of State.

The Treasurer of State issues a tax bill within 20 days of certification by the Tax Commissioner with payment due 20 to 30 days from the date the bill is mailed. Taxes are collected by the Treasurer of State.

Disposition of Revenue (R.C. 5725.24):

1. Three mills of receipts credited to the state General Revenue Fund for dealers that are not "qualifying dealers."
2. Five mills of receipts distributed to the county where the firm's capital was employed (determined on the basis of gross receipts) for dealers that are not "qualifying dealers," placed in each county's undivided Local Government Fund and distributed among the local subdivisions by the county budget commission.
3. All the tax paid by "qualifying dealers" is paid to the state General Revenue Fund.

Administration (R.C. 5725.14):

Returns are filed with the Tax Commissioner who determines the taxable values.

Ohio Revised Code Citations:

Chapters 5707, 5719, and 5725.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (effective July 1, 2005; R.C. 150.07, 150.10, 5727.241):
Created a qualifying dealer in intangibles tax venture capital credit as listed on an Ohio Venture Capital Credit tax credit certificate. The amount of the venture capital credit and the tax year in which it may be claimed will be listed on the tax credit certificate. The qualifying dealer in intangibles may elect to take either a refundable or nonrefundable credit.

Table 1
Dealers in Intangibles Taxes Levied, Calendar Years 2001 - 2005

Distribution	2001	2002	2003	2004	2005
Local Share	$12,575,695	$11,229,780	$7,176,496	$10,587,846	$11,265,677
State Share*	7,545,420	7,072,345	4,305,900	6,352,710	6,759,411
Total Assessed	**$20,121,115**	**$18,302,126**	**$11,482,396**	**$16,940,556**	**$18,025,088**

* Does not include taxes levied on qualifying dealers in intangibles, amounting to $24,299,670 in 2003, $23,044,589 in 2004 and $17,970,397 in 2005.

Table 2
County Share of Intangible Property Taxes Assessed on Dealers in Intangibles, Tax Year 2005

County	Share of Assessed Taxes	County	Share of Assessed Taxes	County	Share of Assessed Taxes
ADAMS	$13,895	HARDIN	$1,383	PICKAWAY	$23,081
ALLEN	16,797	HARRISON	1	PIKE	31,294
ASHLAND	2,475	HENRY	610	PORTAGE	16,483
ASHTABULA	8,626	HIGHLAND	3,642	PREBLE	1,152
ATHENS	1,989	HOCKING	1,630	PUTNAM	1,352
AUGLAIZE	12,281	HOLMES	2	RICHLAND	39,520
BELMONT	3,822	HURON	4,733	ROSS	19,316
BROWN	1,481	JACKSON	51,981	SANDUSKY	2,751
BUTLER	37,730	JEFFERSON	6,056	SCIOTO	4,923
CARROLL	244	KNOX	5,085	SENECA	2,702
CHAMPAIGN	884	LAKE	86,214	SHELBY	8,512
CLARK	10,213	LAWRENCE	5,453	STARK	174,104
CLERMONT	34,219	LICKING	83,931	SUMMIT	624,325
CLINTON	2,058	LOGAN	3,088	TRUMBULL	25,768
COLUMBIANA	13,088	LORAIN	107,325	TUSCARAWAS	16,326
COSHOCTON	3,398	LUCAS	375,528	UNION	2,219
CRAWFORD	1,809	MADISON	1,955	VAN WERT	801
CUYAHOGA	2,864,360	MAHONING	231,459	VINTON	2
DARKE	5,295	MARION	10,499	WARREN	263,980
DEFIANCE	12,880	MEDINA	137,385	WASHINGTON	8,657
DELAWARE	28,354	MEIGS	153	WAYNE	17,847
ERIE	16,382	MERCER	4,768	WILLIAMS	1,098
FAIRFIELD	12,368	MIAMI	7,258	WOOD	3,744
FAYETTE	3,912	MONROE	0	WYANDOT	239
FRANKLIN	3,059,335	MONTGOMERY	513,338		
FULTON	54	MORGAN	0	**Total Local**	
GALLIA	13,683	MORROW	908	**Revenue**	**$11,265,677**
GEAUGA	2,145	MUSKINGUM	29,017		(5 mills)
GREENE	34,061	NOBLE	0	**State General**	**$6,759,411**
GUERNSEY	5,919	OTTAWA	241	**Revenue**	(3 mills)*
HAMILTON	2,056,831	PAULDING	0	**TOTAL**	**$18,025,088**
HANCOCK	20,489	PERRY	761		

* Does not include $17,970,397 in taxes levied on qualifying dealers in intangibles.

Estate Tax

The basic Ohio estate tax is levied against the value of a resident decedent's gross estate less deductions and exemptions. Graduated rates range up to $23,600 plus 7.0 percent on that portion of taxable value which exceeds $500,000. Ohio also taxes nonresident estates on real and tangible personal property sitused in Ohio. For dates of death prior to July 1, 2005, large estates may also be subject to an "additional" tax, which is levied solely to ensure full benefit to Ohio of credits the federal government allows taxpayers against federal estate tax liability, for their payment of state "death" taxes (see **Recent Legislation**).

Total revenue produced by Ohio's estate tax amounted to $304.6 million in Fiscal Year 2005, as shown in the table in this chapter. The table displays the breakdown of monies distributed to local governments and the remainder retained by the state.

Senate Bill 108, 123rd General Assembly, resulted in significant tax cuts to the Ohio estate tax. For dates of death on or after January 1, 2002, every estate receives a tax credit of $13,900.

Taxpayer:

Administrator, executor, or other estate representative, in possession of the property subject to tax.

Tax Base:

1. Resident:
   The net taxable estate is the value of a decedent's gross estate, less deductions (Ohio Revised Code 5731.15-17). In general, the gross estate equals the aggregate market value at time of death, or on the alternate valuation date (see **Special Provisions**) of all property, wherever situated, held by the decedent. Excepted are real and tangible personal property situated outside of Ohio, and "qualified farm property," which may be valued according to its actual "qualified use" (R.C. 5731.01, 5731.011, 5731.03-13).

   The "net taxable estate" equals the gross estate less the following deductions:
   (a) Marital deduction, where there is a surviving spouse;
   (b) Funeral expenses and costs of administering the estate;
   (c) Outstanding and unpaid claims against the estate at time of the decedent's death;
   (d) Unpaid mortgage or other indebtedness against property where the value of that property is included in the gross estate valuation;
   (e) Charitable contributions; and
   (f) A maximum deduction not to exceed $675,000, for a decedent's qualified interest in a family-owned business, for dates of death occurring on or before June 30, 2005 (see **Recent Legislation** section of this chapter).

2. Nonresident:
   The nonresident estate tax base is comprised of real and tangible personal property located or having a situs in Ohio, and intangible personal property used in business within Ohio unless exempt pursuant to R.C. 5731.34.

   Tax for both nonresident estate and nonresident additional tax, if applicable, is determined by: (1) calculating tax which would be due from the estate, at a rate applicable to resident estates, if the decedent had died a resident of Ohio with all property situated or located in Ohio; and (2) multiplying the resultant amount by a fraction representing the ratio of gross estate value attributable in Ohio to gross estate value wherever situated.

Rates (Ohio Revised Code 5731.02):

Rates are generated through "taxable estate" brackets, as shown in the **Exhibit**. The rates range from not less than 2.0 percent to not more than 7.0 percent plus $23,600.

Exhibit - Taxable Estate Brackets

If the net taxable estate is:	The tax shall be:
For dates of death on or after January 1, 2002:	
Over $338,333 but not over $500,000	$13,900 plus 6% of the excess over $338,333
Over $500,000	$23,600 plus 7% of the excess over $500,000
For dates of death on or after January 1, 2001 but before January 1, 2002:	
If the net taxable estate is:	**The tax shall be:**
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000
For dates of death on or after July 1, 1968 but before January 1, 2001:	
If the net taxable estate is:	**The tax shall be:**
Not over $40,000	2% of the net taxable estate
Over $40,000 but not over $100,000	$800 plus 3% of the excess over $40,000
Over $100,000 but not over $200,000	$2,600 plus 4% of the excess over $100,000
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000

Filing Requirements (R.C. 5731.21):

For dates of death prior to January 1, 2001, estates with gross values over $25,000 were required to file an estate tax return.

For dates of death on or after January 1, 2001 through December 31, 2001, estates with gross values over $200,000 were required to file an estate tax return.

For dates of death on or after January 1, 2002, estates with gross values over $338,333 are required to file an estate tax return.

Marital Deduction (R.C. 5731.15):

A marital deduction is allowed in an amount equal to the net value of any asset passing from the decedent to the surviving spouse to the extent that the asset is included in the value of the gross estate.

Tax Credits (R.C. 5731.02):

For estates with dates of death from July 1, 1983 through December 31, 2000, $500 or the full amount of the tax, whichever was less.

For estates with dates of death from January 1, 2001 through December 31, 2001, $6,600 or the full amount of the tax, whichever was less.

For estates with dates of death on or after January 1, 2002, $13,900 or the full amount of the tax, whichever is less.

Special Provisions

1. The Ohio additional tax (R.C. 5731.18) is a pick-up tax that captures any unused portion of the allowable federal estate tax credit for state death taxes paid. The additional tax comes into play where the federal credit allowed for state death taxes actually exceeds the Ohio basic estate tax assessed. In these instances, the additional tax picks up the difference between the federal estate tax credit for state death taxes and the basic state estate tax liability (inclusive of any estate taxes paid to Ohio, any other U.S. state, territory, or the District of Columbia). For dates of death occurring on or after July 1, 2005, House Bill 66, 126th General Assembly, constructively repeals the Ohio additional tax (see **Recent Legislation** section of this chapter).
2. An alternate valuation date (R.C. 5731.01) may be elected, which is the date six months after the decedent's death, or, in the case of the property's earlier disposition, on such dates of disposition. If the alternate valuation date is elected, the election is required to be made within one year from the time the return is required to be filed.
3. Under certain conditions, an extension of time to pay Ohio estate tax because of undue hardship (R.C. 5731.25) applies. An estate may receive an extension of the time to pay the estate tax, not to exceed one year beyond the time the tax would otherwise be due, if conditions exist as defined in R.C. 5731.25. In the case of continuing undue hardship, the estate may apply for an additional extension(s). The total of all extensions granted may not exceed 14 years.
4. A qualified farm property valuation and recapture provision (R.C. 5731.011) applies to some estates. Under certain conditions, an estate may elect to have farm property that passes to a qualified heir valued at its agricultural use value. A prospective supplemental tax lien remains on the property for four years when this election is used. The lien is equal to the tax savings realized due to the election and becomes effective if the farm property is disposed of (other than to another qualified heir), or ceases to be devoted exclusively to agricultural use within the four-year limitation.

Filing and Payment Dates:

In general, as follows:

Tax Return (R.C. 5731.21) —
To be filed within nine months of the decedent's death with the probate court of the county in which the estate is administered, unless an extension is granted. However, an automatic six-month extension is granted to all estates.
Tax Payment (R.C. 5731.23) —
Due within nine months of the decedent's death, regardless of any extension of time to file, to the treasurer of the county in which the decedent resided.

Disposition of Revenue (R.C. 5731.48-5731.51):

In general, for revenue distribution purposes, the tax on the transfer of real and tangible personal property located within Ohio originates in the municipal corporation(s) or township(s) in which such property is physically located. In the case of a resident decedent's intangible or tangible personal property located outside of Ohio, the domicile of the decedent is determinative. In the case of intangibles of a nonresident decedent, origin is derived from Ohio domicile, location or place of business or custody of the person, bank, institution, or other entity having such property in possession or custody.

For estates with dates of death on or after January 1, 2002, 80 percent of gross estate tax revenues is distributed to the municipal corporations or townships in which the tax originates and 20 percent (less costs of administration) is distributed to the state General Revenue Fund.

Administration (R.C. 5731.44, 5731.45, 5731.46):

The Tax Commissioner is responsible for administration of the estate tax. The tax is collected locally by the treasurer of the county in which the decedent was a resident.

Ohio Revised Code Citations:

Chapter 5731.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

R.C. 5731.01(F):
A general definition of the Internal Revenue Code was adopted for purposes of Ohio estate tax law.

R.C. 5731.18:
The additional tax statute was amended to incorporate any federal changes made by Congress to the Internal Revenue Code as of June 30, 2005. Since the federal credit for state death taxes was repealed, the state additional estate tax is eliminated for all decedents who die on or after July 1, 2005. A temporary credit was created (uncodified R.C. 557.03) so that this change can be incrementally retroactive to January 1, 2002.

R.C. 5731.181:
The generation-skipping transfer tax statute was amended to incorporate any changes made by Congress to the Internal Revenue Code as of June 30, 2005. Since the federal credit for generation-skipping transfers was terminated, the state generation-skipping transfer tax was terminated for all taxable distributions and taxable terminations occurring on or after July 1, 2005.

R.C. 5731.20:
The estate tax deduction for qualifying family-owned business interests was repealed effective for decedents' dates of death occurring on or after July 1, 2005.

R.C. 5703.47 and 5731.23:
Through June 30, 2005, the "federal short-term rate" plus 3.0 percent was used to calculate the interest owing on both underpayments and overpayments of Ohio estate tax. Effective July 1, 2005, the "federal short-term rate" will be used without adjustment. Accordingly, any portion of estate tax that is subject to interest was reduced by 3.0 percent effective July 1, 2005.

R.C. 5731.41:
In addition to the undivided inheritance or estate tax fund in their respective county treasury, county auditors were authorized to use revenue from the county real estate assessment fund for estate tax enforcement.

Table 1
Estate Tax Collections and Distributions, Fiscal Years 2001 - 2005 (figures in millions)

Fiscal Year	Total Collections	State General Revenue Fund*	Local Governments*
2001	$451.6	$166.0	$285.6
2002	375.5	116.3	259.2
2003	357.7	100.8	256.9
2004	290.3	64.2	226.1
2005	304.6	60.4	240.5

* State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because it is based on the certification of the local share (including fees) from the semi-annual settlements that occur each year. The state share was 36% from July 1, 1983 to December 31, 2000; the local share was 64% during this same period. From Jan. 1, 2001, to December 31, 2001, the state received 30% while the local share was 70%. Effective Jan. 1, 2002, the state share decreased to 20% and the local share increased to 80%.

Table 2
Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets, Fiscal Year 2005 (Resident Estates Only)

Net Taxable Value	Number of Estates	Aggregate Gross Value	Aggregate Net Taxable Value	Aggregate Tax Liability
Under $40,000	82	$4,833,297	$2,579,969	$13,599
40,001 - 100,000	198	22,481,496	13,468,321	228,350
100.001 - 200,000	147	31,335,307	21,256,060	571,442
200,001 - 300,000	148	52,885,108	36,376,653	912,233
300,001 - 500,000	2,481	1,258,535,524	1,023,792,724	12,923,264
500,001 - 1,000,000	3,185	2,951,803,033	2,206,777,614	75,553,733
Over $1,000,000	1,274	3,467,703,045	2,556,824,853	147,980,140
Total	**7,515**	**$7,789,576,809**	**$5,861,076,194**	**$238,182,760**

Table 3
Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate, Fiscal Year 2005* (Resident Estates Only)

County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability	County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
ADAMS	12	$8,170,943	$6,698,546	$214,384	LOGAN	29	$18,118,495	$16,615,016	$589,062
ALLEN	73	49,908,280	45,053,130	1,529,937	LORAIN	149	126,875,923	98,791,089	3,482,455
ASHLAND	24	18,856,754	16,459,117	591,938	LUCAS	305	333,048,139	242,960,870	9,772,430
ASHTABULA	35	26,818,669	21,236,764	686,407	MADISON	37	27,893,717	23,743,278	894,608
ATHENS	21	18,633,171	16,256,013	617,676	MAHONING	147	576,209,082	188,380,311	9,929,594
AUGLAIZE	35	31,729,063	25,343,469	918,687	MARION	35	25,186,420	22,997,497	863,509
BELMONT	48	44,692,326	34,099,040	1,380,979	MEDINA	84	69,280,468	63,086,172	2,462,838
BROWN	21	17,257,788	15,345,383	598,302	MEIGS	5	3,247,730	3,124,173	93,469
BUTLER	157	142,617,948	122,333,400	4,816,601	MERCER	25	15,342,677	13,991,122	390,398
CARROLL	17	20,850,593	8,732,775	257,951	MIAMI	65	54,771,455	42,868,285	1,504,730
CHAMPAIGN	24	28,069,628	19,463,693	774,080	MONROE	6	3,496,315	3,307,546	82,409
CLARK	82	75,587,330	67,160,306	2,774,417	MONTGOMERY	392	368,742,698	288,210,819	11,175,089
CLERMONT	79	66,995,744	55,530,883	2,061,041	MORGAN	7	6,950,669	6,497,761	302,234
CLINTON	31	29,955,484	23,468,230	937,754	MORROW	20	12,363,882	10,924,769	318,645
COLUMBIANA	45	53,295,218	44,779,240	2,109,088	MUSKINGUM	43	31,946,708	28,424,119	1,006,402
COSHOCTON	25	30,999,807	16,983,137	588,676	NOBLE	6	3,704,705	2,919,499	55,067
CRAWFORD	38	25,061,202	23,387,724	744,886	OTTAWA	46	33,101,834	29,101,232	1,030,623
CUYAHOGA	1,042	1,037,518,188	819,323,423	33,121,544	PAULDING	9	6,057,244	5,795,976	214,588
DARKE	58	46,470,154	39,447,151	1,435,247	PERRY	16	10,576,751	9,785,011	325,432
DEFIANCE	22	18,603,286	15,732,970	601,750	PICKAWAY	29	27,578,187	23,747,823	1,106,192
DELAWARE	86	84,203,389	68,898,406	2,845,747	PIKE	12	6,987,145	6,687,085	193,547
ERIE	70	73,774,819	55,266,037	2,182,971	PORTAGE	79	71,462,732	60,775,158	2,535,818
FAIRFIELD	76	57,538,188	49,198,059	1,721,713	PREBLE	29	23,362,800	21,256,298	826,102
FAYETTE	32	27,154,073	17,808,661	674,622	PUTNAM	27	18,917,977	16,028,378	540,606
FRANKLIN	624	682,436,740	530,123,595	22,763,396	RICHLAND	80	70,331,612	56,656,310	2,138,882
FULTON	47	27,307,735	25,498,342	851,169	ROSS	38	33,952,572	25,713,282	878,411
GALLIA	10	8,374,485	6,782,068	246,692	SANDUSKY	66	40,843,773	35,942,453	1,007,555
GEAUGA	90	91,162,506	79,170,584	3,439,587	SCIOTO	33	29,222,125	25,316,837	976,210
GREENE	94	84,503,651	63,153,369	2,257,720	SENECA	44	31,176,333	26,148,150	899,707
GUERNSEY	18	15,854,311	14,569,521	618,178	SHELBY	36	25,638,543	23,129,471	793,767
HAMILTON	784	975,297,268	688,431,817	29,501,105	STARK	206	261,931,229	148,994,440	5,622,480
HANCOCK	77	70,905,070	56,719,234	2,169,991	SUMMIT	364	337,554,616	258,425,804	9,610,871
HARDIN	32	21,574,004	18,950,122	683,146	TRUMBULL	131	114,361,284	99,299,748	4,105,988
HARRISON	7	73,797,812	70,958,141	4,841,001	TUSCARAWAS	50	33,951,388	31,117,846	1,051,522
HENRY	40	25,246,839	18,526,135	635,814	UNION	34	26,057,894	22,443,503	850,738
HIGHLAND	25	18,492,857	17,005,363	600,220	VAN WERT	31	21,139,397	18,557,754	557,750
HOCKING	13	6,925,261	5,721,811	146,791	VINTON	3	2,023,289	1,880,250	73,344
HOLMES	13	9,930,255	7,119,208	176,737	WARREN	98	78,823,038	66,175,023	2,387,913
HURON	45	26,266,703	23,268,940	668,261	WASHINGTON	27	69,360,227	62,725,948	3,746,708
JACKSON	5	7,368,062	5,738,670	285,053	WAYNE	93	115,269,057	103,875,153	5,176,013
JEFFERSON	44	32,673,479	29,759,148	1,216,721	WILLIAMS	33	22,262,859	20,552,207	671,013
KNOX	33	28,741,418	21,942,516	772,510	WOOD	104	95,647,985	79,354,210	3,108,184
LAKE	143	172,077,127	135,207,535	6,057,693	WYANDOT	20	15,585,622	13,269,014	528,421
LAWRENCE	7	3,650,802	3,142,253	90,131					
LICKING	83	63,044,414	54,314,573	1,871,302	**Total**	**7,480**	**$7,780,749,438**	**$5,853,705,195**	**$237,960,941**

* Statistics are derived from returns on which audits were completed and final certificates were issued in fiscal year 2005. This data differs from Table 2 due to reporting complications.

Horse Racing Tax

Ohio has permitted horse racing and pari-mutuel wagering on horse racing since 1933. The regulation of horse racing is the responsibility of the Ohio State Racing Commission, which consists of five members appointed by the Governor and confirmed by the Ohio Senate. The Racing Commission issues racing permits and sets the racing dates for each meet. Since 1953, the Department of Taxation has administered the tax on pari-mutuel wagering. Permit holders retain 18 percent of all money wagered and 4.0 percent of "exotic" wagering as their commission, subject to payments to the Tax Commissioner of the taxes on pari-mutuel and exotic wagering. (Exotic wagering includes bets made on placements other than win, place, or show, such as daily doubles, quinellas, perfectas, and trifectas.)

After state taxes, 50 percent of the commission must be used for purse money. In addition, part of the commission, along with a portion of the state's wagering tax, is used to develop and promote horse breeding and racing in Ohio. Permit holders also retain the breakage (the odd cents remaining after pari-mutuel winning tickets are paid off at the next lowest multiple of 10 cents). However, 40 percent of this amount must be used for purse money and 25 percent must be paid to the Horsemen's Health and Retirement Fund. Another source of revenue to permit holders is the authorization to conduct pari-mutuel wagering on televised simulcasts of racing at other tracks (off-track betting).

To encourage the construction and improvement of racing facilities, there are two capital improvement credits that reduce the tax liability of permit holders. The first is a reduction of 0.75 percent of the amount wagered for the construction of a new facility or the improvement of an existing track. The second is a reduction of 1.0 percent of the amount wagered for the major renovation of an existing facility if the cost is $6.0 million or more. These projects must be approved by the Racing Commission and can run concurrently.

The tax on total wagering of aproximately $474 million in Fiscal Year 2005 provided over $14.3 million in tax revenue and funds for horse racing development in Ohio.

Taxpayer (Ohio Revised Code 3769.08):

The racing permit holder remits to the Tax Commissioner the tax on the amount wagered as described in **Rates**. The Tax Commissioner in turn distributes the tax as described in **Disposition of Revenue.**

Tax Base (R.C. 3769.08, 3769.28, 3769.087):

1. Amount wagered each day on all pari-mutuel racing.
2. Amount wagered each day on exotic races.
3. Total amount wagered at each horse race meeting of a permit holder.

Rates:

Pari-Mutuel Wagering Tax (R.C. 3769.08) –

Amount Wagered Daily	Rate
First $200,000	1.0%
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

Exotic Wagering Tax (R.C. 3769.087) –
In addition to the pari-mutuel wagering tax, there is a special tax of 3.0 percent of the amount wagered daily on other than win, place, and show. This is termed exotic wagering and includes the daily double, perfecta, quinella, and trifecta.

Additional Pari-Mutuel Wagering Tax (R.C. 3769.28) –
This money is distributed to the municipal corporation or township in which racing takes place and 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 tax is levied as follows:

Total Amount Wagered Each Horse Racing Meet	Rate
Less than $5,000,000	0.10%
$5,000,000 or more	0.15

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.

Special Provisions

Capital Improvement and Simulcast Credits (R.C. 3769.08, 3769.089, 3769.20, 3769.26):

1. Some racing permit holders can qualify for a Capital Improvement Credit. With the approval of the Racing Commission, permit holders making capital improvements, constructing new racing facilities, or reconstructing facilities damaged by fire or other cause that have a total cost of $100,000 or more can reduce their tax liability by 0.75 percent of the amount wagered. For projects

approved prior to March 29, 1988, the reduction continues for a period of 15 years on capital improvements and reconstruction and a period of 25 years on new race track construction, or until the total reduction in tax liability equals 70 percent of construction costs, whichever occurs first. For projects approved on or after March 29, 1988, the reduction is limited to 10 years or 70 percent of costs.

2. Large projects may qualify a permit holder for a Major Capital Improvement Credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of $6.0 million or more can reduce their tax liability by 1.0 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.
3. Permit holders may conduct electronically televised simulcasts of horse races from facilities in or outside of Ohio and conduct pari-mutuel wagering thereon.
4. Off-track betting (OTB) has been allowed by law since September 27, 1994. The first two facilities to offer this began operating in October 1999 and March 2000. Currently there is one such facility in operation.

Receipts from Pari-Mutuel Wagering:

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax, 0.50% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	0.50% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	1.125% of amount wagered
	Harness racing at events at other than agricultural expositions and fairs	0.50% of amount wagered
Ohio Standardbred Development Fund	Harness	1.125% of amount wagered
Quarter Horse Development Fund	Quarter horse	0.625% of amount wagered
Agricultural Societies	Thoroughbred, harness, and quarter horse racing at agricultural expositions and fairs	Net receipts after payments to the Ohio Fairs Fund, Standardbred Fund, Quarter Horse Fund, and Thoroughbred Race Fund
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse	0.25% of amount wagered

Receipts from the Additional Pari-Mutuel Wagering Tax:

Distributed To	Source of Receipts (Wagering On)	Distribution Percent
General Revenue Funds of municipalities and townships	Thoroughbred, harness, and quarter horse	0.10 % of amount wagered if the total amount wagered is less than $5.0 million; 0.15% of amount wagered if the total amount wagered is $5.0 million or more (maximum of $15,000)

Receipts from Exotic Wagering:

Distributed To	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	8.3% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	8.3% of amount wagered from thoroughbred racing
Ohio Standardbred Development Fund	Harness	8.3% of amount wagered from harness racing
Quarter Horse Development Fund	Quarter Horse	8.3% of amount wagered from quarter horse racing
Agricultural Societies	Thoroughbred, harness, and quarter horse at agricultural expositions and fairs	16.7% of amount wagered
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse at commercial track	16.7% of amount wagered

Filing and Payment Dates (R.C. 3769.08, 3769.28):

Each Day of Racing —
Permit holder remits to the Tax Commissioner by the following day the pari-mutuel wagering and exotic wagering taxes collected.
Close of Horse Race Meeting —
Within ten days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

Disposition of Revenue (R.C. 3769.08, 3769.087, 3769.26):

Each permit holder pays the Tax Commissioner a sum equal to the percentage of money wagered as described in **Rates**, reduced by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the funds as shown in the above charts:

- **Receipts from Pari-Mutuel Wagering**
- **Receipts from the Additional Pari-Mutuel Wagering Tax**
- **Receipts from Exotic Wagering**

Administration:

The Department of Taxation administers the tax on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

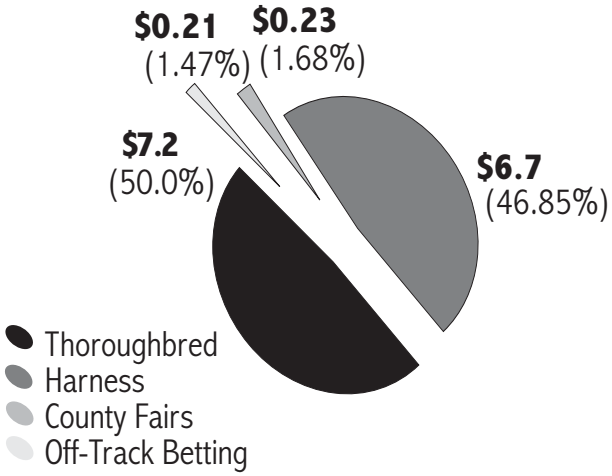
Ohio Revised Code Citations:

R.C. 3769.08, 3769.081, 3769.087.

Horse Racing Tax Collections by Type of Meet

Fiscal Year 2005

(figures in millions)



Total $14.3 million

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

Table 1
Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2001 - 2005

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
Pari-Mutuel Wagering						
2001	$324,096,113	$280,974,629	$6,017,577		$15,534,893	$626,623,212
2002	303,245,672	273,401,726	5,585,845		14,714,060	596,947,303
2003	277,080,736	247,780,758	5,268,726	$465,665*	14,581,585	545,177,470
2004	260,903,387	233,604,182	5,428,844	333,586	14,124,923	514,394,922
2005	$246,936,349	$212,590,207	$5,504,620	$281,349	$8,714,420	$474,026,945
Net Tax Receipts						
2001	$8,685,741	$7,798,868	$240,019		$369,447	$17,094,075
2002	8,360,225	8,322,836	216,736		351,087	17,250,884
2003	7,660,350	7,559,068	206,438	$10,398*	346,687	15,782,941
2004**	7,705,092	7,607,647	228,872	7,808	336,991	15,886,410
2005**	$7,198,910	$6,724,629	$236,615	$7,086	$207,504	$14,374,744

* First year quarter horse reported separately.
**Additional .25% on exotic wagering effective July 1, 2003.

Table 2 Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts - Fiscal Year 2005

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
Number of Meets	**1,078**	**1,427**	**168**	**11**		**2,684**
Total Pari-Mutuel Wagering	$246,936,349	$212,590,207	$5,504,620	$281,349	$8,714,420	$474,026,945
Exotic Wagering*	165,384,130	153,784,768	3,320,655	178,119	6,721,640	329,389,312
Total Tax Levied	**$9,313,232**	**$7,842,562**	**$236,615**	**$7,086**	**$207,504**	**$17,606,999**
Less Tax Abatements:						
Capital Improvement	$0	$243,491	$0	$0	$0	$243,491
Major Capital	2,114,322	874,443	0	0	0	2,988,765
Net Tax Collected	**$7,198,910**	**$6,724,628**	**$236,615**	**$7,086**	**$207,504**	**$14,374,743**
Deferred Abatement**	$579,040	$116,864	$0	$0	$0	$695,904
Distribution of Receipts:						
Agricultural	$667	$1,599	$128,518	$0	$0	$130,784
Standardbred Devel. Fund	0	1,772,873	41,082	0	0	1,813,955
Quarter Horse Special Acct.	0	0	117	782	0	899
Ohio Fairs Fund	1,139,072	923,657	34,682	1,591	0	2,099,002
Thoroughbred Special Acct.	2,205,563	685,829	265	0	0	2,891,657
Operating Fund	1,833,507	1,605,592	31,951	2,333	0	3,473,383
Passport Fund	2,020,101	1,735,078	0	2,380	207,504	3,965,063
Total Amount	**$7,198,910**	**$6,724,628**	**$236,615**	**$7,086**	**$207,504**	**$14,374,743**

* Included in total pari-mutuel wagering but subject to an additional 3.0% tax.
** Represents tax abatements accrued and postponed to a later date.

Individual Income Tax-School District

In 1981, the Ohio General Assembly granted school districts the authority to levy an income tax. Certain provisions of that law were repealed in 1983 so that no additional school districts could levy the tax. Any school district enacting the tax before August 3, 1983 could continue to levy the tax. Prior to the repeal, voters approved the tax in six school districts, one of which repealed the tax through voter referendum in 1986. In 1989, the General Assembly reinstated provisions of the original law allowing additional school districts to levy the tax.

The school district income tax is imposed on the incomes of residents and estates of persons who at the time of their death were residents of the school district. The Department of Taxation administers the tax. Collections are made through employer withholding, individual quarterly estimated payments, and annual returns. During Fiscal Year 2005, total net collections for all districts were approximately $182 million, after deductions for administrative costs and refunds, as shown in the table in this chapter. In FY 2005, there were 145 school districts (out of 614 in the state) that levied the tax.

Taxpayer (Ohio Revised Code 5748.01):

Every individual residing in and every estate of persons who at the time of their death were residing in a school district which imposes the school district income tax.

Tax Base (R.C. 5748.01):

For individuals, Ohio adjusted gross income for state income tax purposes less $1,350 for each exemption in 2005. For estates, Ohio taxable income for state income tax purposes.

Amended Substitute House Bill 66, 126th General Assembly, the FY 2006-2007 biennium budget bill, allows voters in a school district to approve a school district income tax which will apply only to individuals – but not to estates – and which will apply only to "earned income" and which does not provide for any deductions. This "earned income" base includes wages, salaries, tips and other employee compensation, but does not include retirement income, lottery winnings, nor interest or dividend income (see **Recent Legislation**).

Rates (R.C. 5748.02):

Rates must be multiples of a quarter of one percent. The rate must be approved by a vote of the school district residents before implementation. The tax rates currently range from 0.5 percent to 2.0 percent.

Special Provisions

Senior Citizen Credit: 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:

1. Calendar year taxpayers file an annual return between January 1 and April 15.
2. Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
3. The taxpayer must file a quarterly estimated return if the taxpayer expects to be under-withheld by more than $500 for the combined school district and Ohio individual income taxes. For calendar year taxpayers, quarterly payments of the tax must be made on or before April 15, June 15, and September 15 of the current year and January 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:

1. If the employer remits on a quarterly basis for state income tax purposes, payment is due for both taxes by the last day of the month following March, June, September, and December.
2. If the employer remits on a monthly or electronic funds transfer (EFT) basis 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 to be distributed to the school districts less 1.5 percent retained for state administrative purposes. Distributions are made to school districts on the last day of April, July, October, and January. Payments are for the net amount in each school district's account, after refunds and administrative fees, as of the end of the prior calendar quarter.

Administration:

The Department of Taxation collects and administers the tax for school districts and makes quarterly distributions of revenue.

Ohio Revised Code Citations:

Chapters 5747 and 5748.

Recent Legislation

Amend. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005). R.C. 5748.01(E)(1) and 5748.02(A):
Voters in a school district were authorized to approve a school district income tax which applies only to "earned income" of individuals. This alternative tax base does not include estates, and also does not provide for any deductions.

Earned income is defines as wages, salaries, tips, other employee compensation, and self employment income from sole proprietorships and from partnerships. Under this alternative tax base, taxpayers of the school district do not pay school district income tax on retirement income, lottery winnings, interest, dividends, capital gains, profit from rental activities, distributive shares of profit from S corporations, and any other income which is not earned income but is part of Ohio adjusted gross income reported on line 3 of the Ohio income tax return, form IT-1040. Further, under this alternative tax base, taxpayers are not allowed to claim any deductions which they claimed on the front page of their federal income tax return, IRS form 1040. Such disallowed deductions include alimony paid, IRA contributions, capital losses, and losses from rental activities.

Substitute House Bill 2, 126th General Assembly (effective June 2, 2005). R.C. 5747.026(A)-(D):
Expanded existing extensions to file and pay individual and school district income taxes to members of the Ohio National Guard and members of a reserve component of the U.S. Armed Forces who are called to active duty for any reason.

Table
School District Income Tax Collections for Fiscal Years 2002 - 2005

All Districts	2002(a)	2003(b)	2004(c)	2005(d)
Individual returns	$46,532,185	$45,282,962	$52,903,150	$64,413,461
Employer withholding	107,611,867	111,135,680	117,069,441	132,269,908
Total collections	$154,144,052	$156,418,642	$169,972,590	$196,683,370
Refunds and administration	$10,926,908	$14,535,252	$14,043,694	$15,881,773
Interest earned	1,403,636	930,035	0	915,517
Net to school districts	$144,620,780	$142,813,425	$155,928,896	$181,717,114

(a) Includes collections for 123 school districts.
(b) Includes collections for 134 school districts.
(c) Includes collections for 133 school districts.
(d) Includes collections for 145 school districts.

Individual Income Tax - State

The Ohio individual income tax is the largest revenue producer for the state with total collections in Fiscal Year 2005 exceeding $9.43 billion, or 45.1 percent of general revenues. Income tax revenue is split between state government, local governments, and libraries in proportions mandated by state law (see **Disposition of Revenue**). The Ohio Constitution requires that 50 percent of collections be returned to the county of origin.

The income tax has nine brackets covering ranges of taxable income and corresponding tax rates which progress from a minimum of .712 percent to a maximum rate of 7.185 percent for calendar year 2005. Calendar year 2005 is the first year of a reduction in rates that will be phased in over five years for a total reduction of 21 percent from 2004 rates (see **Recent Legislation**).

The Ohio income tax on individuals and estates was enacted in December 1971 and took effect January 1, 1972. An income tax on trusts was enacted in 2002 to help balance the state budget.

To facilitate compliance by the taxpayer and tax administration by the state, Ohio's income tax is linked closely to the federal income tax. The "starting point" for computing the Ohio income tax is federal adjusted gross income as defined in the Internal Revenue Code (I.R.C.). The "starting point" for estates and trusts is taxable income as defined in the I.R.C. Taxpayers make specified adjustments to income before applying Ohio tax rates to the remaining amount (Ohio taxable income) and determining tax liability. From this figure, certain credits may be subtracted to arrive at the final income tax due.

Under temporary law, subsequently made permanent, when the state declares a revenue surplus, statutory tax rates are reduced. There were such rate reductions from 1996-2000, but none from 2001-2005. In 2005, the personal exemption amount is $1,350, up from $1,300 in 2004. Each year the personal exemption amount is indexed for inflation.

This chapter includes twelve tables presenting information compiled from 2003 Ohio individual income tax returns (due by April 15, 2004). The data shows that 5,299,150 taxpayers filed tax returns, reporting total federal adjusted gross income of approximately $266 billion, an average of roughly $50,263 per return. Ohio taxpayers had a total tax liability of $8,057 million for an average liability of $1,520 per return.

Table 1 has detailed data categorized in 43 income levels.
Table 2 compares total returns filed for 2002 and 2003, grouped by major income levels.
Table 3 compares only taxable individual income tax returns for 2002 and 2003 with a tax liability.
Table 4 summarizes Table 1, combining major data into nine income levels.
Tables 5, 6, and 7 show nine income levels by filing status — married filing joint, single, and married filing separate.
Table 8 classifies returns and tax liability by Ohio taxable income rather than federal adjusted gross income.
Table 9 contains information on the joint filer credit for couples earning at least $500 of qualifying Ohio adjusted gross income.
Table 10 provides information pertaining to the senior citizen credit.
Table 11 presents data by county. Cuyahoga County had the most returns, highest income, and highest tax liability. The ten most populous counties accounted for nearly 53 percent of all returns.
Table 12 presents average income per return by county. Delaware County had the highest average income at $75,333, with Noble County the lowest at $30,062.

Taxpayer (Ohio Revised Code 5747.01(N)):

A taxpayer is every person subject to the tax under R.C. 5747.02 which includes every individual and every estate residing in Ohio or earning or receiving income in Ohio. Ohio lottery proceeds are subject to state tax. Every resident trust and certain nonresident trusts earning income from Ohio sources are subject to the Ohio income tax.

Rates (R.C. 5747.02):

Ohio Taxable Income	2005 Tax Rate
0 — $5,000	0.712% of Ohio taxable income
$5,001 — $10,000	$35.60 + 1.424% of excess over $5,000
$10,001 — $15,000	$106.80 + 2.847% of excess over $10,000
$15,001 — $20,000	$249.15 + 3.559% of excess over $15,000
$20,001 — $40,000	$427.10 + 4.27% of excess over $20,000
$40,001 — $80,000	$1,281.10 + 4.983% of excess over $40,000
$80,001 — $100,000	$3,274.30 + 5.693% of excess over $80,000
$100,001 — $200,000	$4,412.90 + 6.61% of excess over $100,000
$200,001 — over	$11,022.90 + 7.185% of excess over $200,000

Tax Base (R.C. 5747.01):

The tax base is the amount of federal adjusted gross income (individuals) or taxable income (estates and trusts) as defined in the I.R.C., plus or minus the adjustments according to Ohio income tax law (see **General Computation of Tax Liability** on the following page).

General Computation of Tax Liability for the 2005 Individual Income Tax Return

Starting Point: Federal Adjusted Gross Income (FAGI), Plus or Minus:

Additions to the extent not included in FAGI:

1. Non-Ohio state or local government interest and dividends.
2. Pass-through entity add-back.
3. Income from an electing small business trust.
4. Reimbursement of college tuition expenses and fees deducted in a previous year (expires after taxable year 2005).
5. Losses from the sale of Ohio public obligations.
6. Non-medical withdrawals from an Ohio Medical Savings Account.
7. Reimbursement of expenses previously deducted.
8. Non-education expenditure from a college savings account.
9. Add-back of 5/6 of the depreciation adjustment for I.R.C. sections 168(k) and 179.

Deductions to the extent not excluded or deducted from FAGI:

1. Certain federal interest and dividends.
2. Reciprocity income (income tax paid to other states; see item 2., **Special Provisions**, in this chapter).
3. State or municipal income tax overpayments deducted on a prior year's federal income tax return.
4. Disability and survivorship benefits.
5. Social security and some railroad retirement benefits.
6. Contributions to a college savings account.
7. Tuition expense paid to an Ohio-based institution (limited deduction).
8. Unsubsidized health insurance, long-term care insurance, and excess medical expense deduction.
9. Funds deposited into, and earnings on, an Ohio Medical Savings Account.
10. Grantor Trust Electing Small Business Trust losses.
11. Wage and salary expense not deducted due to the federal targeted jobs or work opportunity tax credits.
12. Interest income from Ohio public and Ohio purchase obligations and gains from the sale or other disposition of Ohio public obligations.
13. Refund or reimbursement of a prior year federal itemized deduction.
14. Repayment of income reported in a prior year.
15. Amount contributed to an individual development account.
16. 1/5 of the depreciation added back in each of the previous five years.

= Ohio Adjusted Gross Income

Subtract: Exemption of $1,350 per taxpayer and per dependent

= Ohio Taxable Income

Apply: Graduated rates of .712% to 7.185 % for 2005

= Tax before credits + Grants

Subtract the following credits:

1. Personal and dependency credit of $20.
2. Retirement income credit.
3. Senior citizen credit.
4. Lump sum distribution credit.
5. Child and dependent care credit.
6. Lump sum retirement income credit.
7. Credit if Ohio taxable income is less than or equal to $10,000.
8. Job training credit.
9. Political contributions credit.
10. Adoption credit.
11. Joint filing credit.
12. Resident credit.
13. Nonresident credit.
14. Business credits.

= Ohio Net Individual Income Tax Liability

Exemptions and Adjustments:

1. **Personal and Dependent Exemptions (R.C. 5747.025):** For 2005, a personal exemption is available for each taxpayer and each dependent in the amount of $1,350. This exemption is adjusted annually based upon the gross domestic product deflator.
2. **Adjustments to Federal Adjusted Gross Income for Individuals**: For a complete listing and explanation of the adjustments to federal adjusted gross income, see form IT-1040, Ohio Income Tax Return Instructions.
3. **Adjustments to Federal Taxable Income for Estates and Trusts:** For a complete listing and explanation of the adjustments, see form IT-1041, Ohio Fiduciary Income Tax Return Instructions.

Personal Credits:

1. **Personal and Dependent Exemption Credit (R.C. 5747.022):**
   Individual taxpayers are allowed to take a credit of $20 against the Ohio income tax for each personal and dependent exemption.
2. **Retirement Income Credit (R.C. 5747.055):**
   Individual and estate taxpayers, receiving retirement benefits, annuities, or distributions from a retirement or profit sharing plan which 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.
3. **Senior Citizen Credit (R.C. 5747.05(C)):**
   Individual and estate taxpayers may claim a $50 credit if the taxpayer was 65 years of age on or before December 31st of the taxable year.
4. **Lump Sum Retirement Credit (R.C. 5747.05(D)):**
   Individual taxpayers over 65 years of age may claim this credit if they received a lump sum distribution from a pension, retirement or profit sharing plan. The calculation is based upon the expected remaining life years times the senior citizens credit amount.
5. **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.
6. **Lump Sum Retirement Income Credit (R.C. 5747.055(C),(D),(E)):**
   Individual taxpayers may claim this credit if, on retirement, they received a lump sum distribution from a qualified pension, retirement, or profit sharing plan during one tax year.
7. **Low-Income Taxpayer Credit (R.C. 5747.056):**
   Individual taxpayers whose Ohio taxable income is less than or equal to $10,000 receive a full credit against the tax otherwise due.
8. **Job Training Credit (R.C. 5747.27):**
   An individual taxpayer may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of position or shift. The maximum credit is 50 percent of the training expenses or $500, whichever is lower.
9. **Political Contributions Credit (R.C. 5747.29):**
   Individual and estate taxpayers may claim a credit for contributions made to campaign committees of candidates for Ohio state office. The maximum credit is $50 for single, head of household, and married filing separate filers and $100 for married filing joint filers.
10. **Adoption Credit (R.C. 5747.37):**
    Individual taxpayers may claim a credit for adoption expenses up to a maximum of $500 per child. Adoption of stepchildren does not qualify for this credit.
11. **Joint Filer Credit (R.C. 5747.05(G)(1)):**
    A husband and wife who file a joint individual return 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 (other than the resident, nonresident, part-year resident, and business credits).
12. **Resident Credit (R.C. 5747.05(B)):**
    Resident individuals, resident estates, and trusts may calculate a tax credit if part or all of their income is taxed in another state. The calculation for trusts differs from that used for individuals and estates.
13. **Nonresident Credit (R.C. 5747.05(A)):**
    Nonresident individuals and nonresident estates may calculate a credit if part of their income was not earned or received in Ohio. Ohio lottery winnings do not qualify for this credit.

Business Credits and Grants –

Note: *The following business credits apply to individuals, estates, and trusts. You can find additional explanation in the* ***Corporation Franchise Tax*** *chapter of this report. Note that only the Ohio Job Creation Credit and Pass-Through Entity Credit are refundable.*

1. Credit or grant for purchases of new manufacturing machinery and equipment (7.5 percent/13.5 percent credit) (R.C. 5747.31, 122.172, and 122.173).
2. Credit for new employees in an enterprise zone (R.C. 5709.66(B)).
3. Credit for eligible costs associated with a voluntary clean-up action (carryforward only through 2006) (R.C. 5747.32 and 122.16).
4. Credit for employers that establish on-site day care centers (carryforward expires in 2007) (R.C. 5747.35).
5. Credit for investment in a certified ethanol plant (R.C. 5747.75).
6. Credit for purchases of grape production property (R.C. 5747.28).
7. Export sales (credit carryforward only through 2004) (R.C. 5747.057).
8. Edison Center credit for research and development investors (R.C. 5747.33, 122.15, 122.151-154).
9. Enterprise zone day care and training credit (R.C. 5709.65(A)(4) and (A)(5)).
10. Refundable job creation credit (R.C. 5747.058).

11. Refundable pass-through entity credit (R.C. 5747.059).

Special Provisions

1. Military pay is taxable for residents. Ohio residents pay Ohio income tax on military pay regardless of duty station (except for all pay earned while in a combat zone). If the taxpayer is not an Ohio resident, Ohio does not tax the military pay. Ohio will tax nonmilitary pay earned in Ohio that is included in federal adjusted gross income.
2. Reciprocity state income (R.C. 5747.05(A)(3)) may affect filing of an Ohio return. Because of "reciprocity agreements" Ohio has with the border states of Indiana, Kentucky, West Virginia, Michigan, and Pennsylvania, an individual does not have to file a 2005 Ohio income tax return if:
   - The taxpayer was a full-year resident of one of the five listed states for 2005, and
   - The taxpayer's only source of income within Ohio was from wages, salaries, tips, or commissions.

   Exception: The "reciprocity agreements" do **not** apply to nonresidents who directly or indirectly own at least 20 percent of the stock or other equity of pass-through entities (S corporations, partnerships, etc.) under the provisions of R.C. 5733.40(A)(7) and 5747.40. These nonresidents cannot use the "reciprocity agreements" in order to deduct, as non-Ohio income, any compensation received from such pass-through entities. Rather, these nonresidents must include this compensation in Ohio taxable income but can treat this compensation as business income which must be apportioned for purposes of computing the nonresident credit. Ohio tax form IT-2023 is used for this purpose.
3. Residency status affects the calculation of the Ohio income tax. Individual taxpayers who spend less than 120 days in Ohio and who have a permanent abode outside of Ohio for the entire year may declare themselves to be a nonresident of Ohio. Without jeopardizing their nonresidency status, the taxpayer can spend up to an additional 30 days in Ohio for specific reasons (attending a funeral, charity functions, doctor visits). Taxpayers claiming nonresidency status should attach a statement to their tax return setting forth the facts supporting nonresidency status.

Filing and Payment Dates (R.C. 5747.07-5747.09):

For Individuals, Estates and Trusts:

1. An annual return is due between January 1 and April 15 for calendar year taxpayers without an extension. Fiscal year returns are due by the 15th day of the fourth month after the fiscal year end. The return reconciles the tax liability with the amount remitted through withholding by the employer or quarterly estimated payments by the taxpayer.
2. Taxpayers must file quarterly declarations if they expect to be underwithheld by more than $500. Such taxpayers must make estimated payments on or before April 15, June 15, and September 15 of the current year and January 15 of the next year.

For Employers:

An employer accumulating undeposited taxes of $100,000 or more is required to make payment within one banking day by electronic funds transfer (EFT). Otherwise, the following rules apply:

1. If an employer withheld no more than $2,000 during the year ending June 30 of the preceding year, payments are due within 30 days after the quarter ending in March, June, September, and December.
2. If an employer withheld more than $2,000 and less than $84,000 during the year ending June 30 of the preceding year, payments are due within 15 days after the end of the month.
3. If an employer withheld at least $84,000 during the year ending 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:

1. In FY 2005, 4.9 percent or $458.0 million was distributed to the Library and Local Government Support Fund, 3.4 percent or $324.9 million to the Local Government Fund, 0.5 percent or $46.4 million to the Local Government Revenue Assistance Fund, and 91.2 percent or $8,598.9 million was distributed to the General Revenue Fund. This distribution was structured by House Bill 95, 125th General Assembly, the FY 2004-2005 biennium budget bill, which continued a freeze on local government funds that began in 2002. For each month of FY 2005, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2003 - June 2004 period. An uncodified provision of H.B. 66, the FY 2006-2007 biennium budget bill, froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.
2. 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 (12.5 percent property tax rollback and homestead exemption).

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 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005). R.C. 5747.01, 5747.02(A) and (B):
Reduced the rate for all tax brackets for tax year 2005 by 4.2 percent. Reduces rates by an additional 4.2 percent (from tax year 2004 rates) in each of the tax years from 2006-2009 for a total reduction in rates of 21 percent. Also made permanent the tax on trust income.

R.C. 5747.056:
Created a low-income taxpayer credit for taxable years beginning in 2005 and thereafter. Taxpayers having Ohio taxable income of $10,000 or less receive a nonrefundable credit equal to the amount of tax otherwise due. While such taxpayers still have to file the Ohio income tax return, they will owe no Ohio income tax.

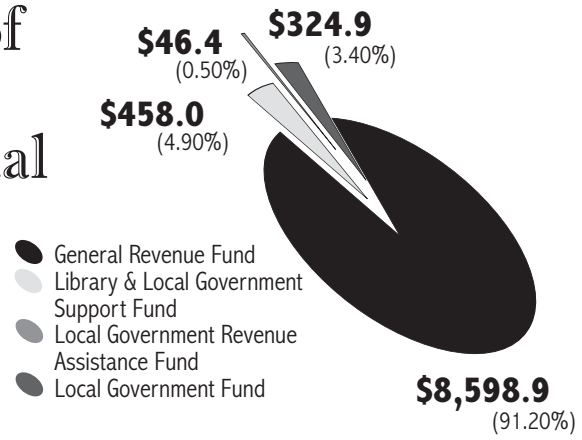
R.C. 122.172, 122.173 and 5733.33:
Converted the manufacturers' new machinery and equipment business credit to a nonrefundable grant, effective for taxable years ending after June 30, 2005. Qualifying taxpayers must file the "notice of intent" letter with the Ohio Department of Development and must attach the "grant request form" to the income tax return. Also changed the last day of the purchase period from December 31, 2015 to June 30, 2005. Changed the last day of the installation period from December 31, 2016 to June 30, 2006.

R.C. 5747.113:
Created a military injury relief fund and allowed taxpayers to contribute a portion of their income tax refund to this fund. The fund is administered by the Ohio Department of Job and Family Services.

Sub. H.B. 2, 126th General Assembly (effective June 2, 2005). R.C. 5747.026(A)-(D):
Expanded existing extensions to file and pay individual and school district income taxes to members of the Ohio National Guard and members of a reserve component of the U.S. Armed Forces who are called to active duty for any reason.

Distribution of Revenue from Individual Income Tax

Fiscal Year 2005
(figures in millions)

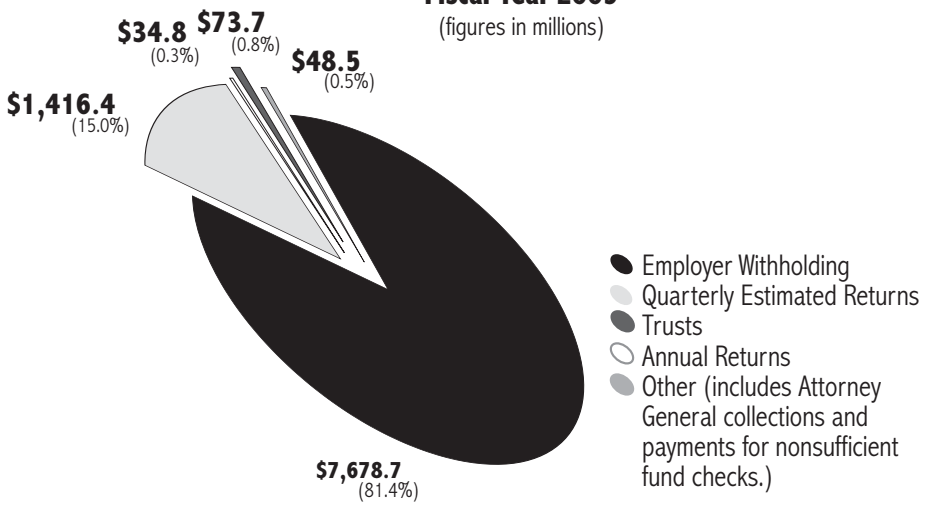


Total $9,434.5 million*

*Includes Attorney General collections and political party contributions which amount to $6.3 million.

Type of Payment to Individual Income Tax

Fiscal Year 2005
(figures in millions)



Total $9,435.3* million

* Includes refunds to taxpayers of $1,047 million.

Source: Department of Taxation.

Exhibit - State Individual Income Tax 2003 Individual Income Tax Returns, Income and Tax, by Income Level

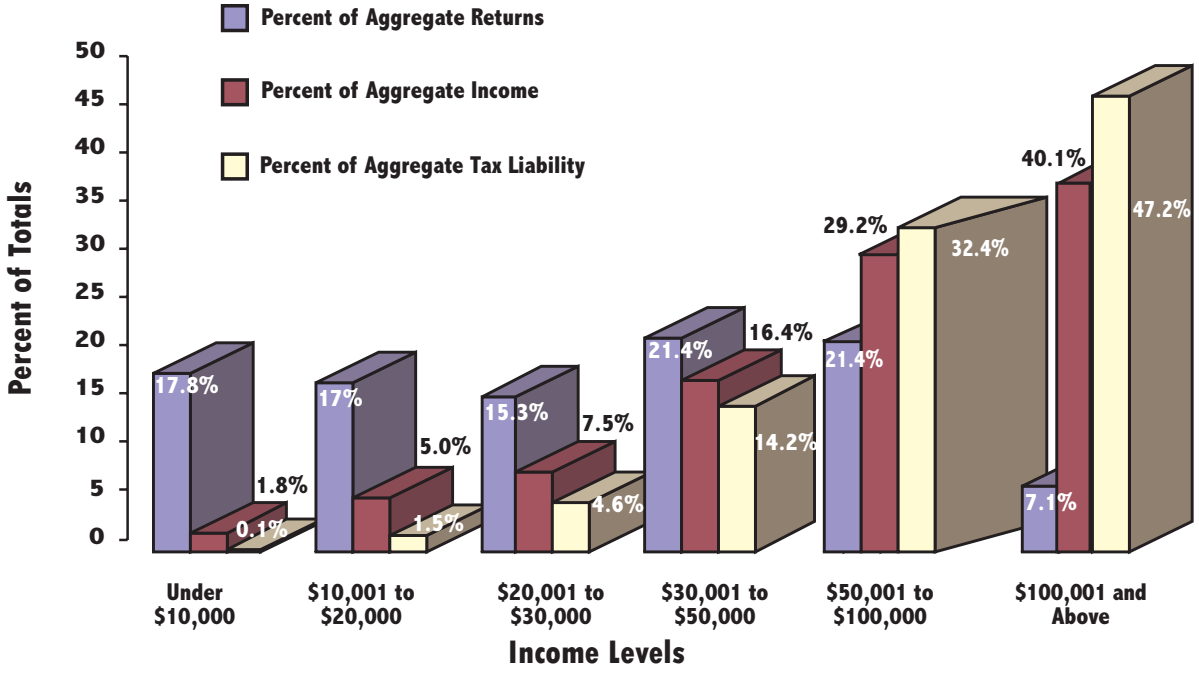


Table 1
2003 Ohio Individual Income Tax Returns, by Income Level *

Income Level (Federal Adjusted Gross Income)	Number of Returns	Federal Adjusted Gross Income	Ohio Adjusted Gross Income	Reported Value Personal Exemptions	Ohio Taxable Income	Tax Before Credits	Joint Filer Credit	Tax Liability after all Tax Credits
0 - $1,000	60,900	$35,698,990	$36,203,021	$84,930,718	$1,110,074	$13,000	$0	$9,772
$1,001 - 2,000	96,156	145,281,115	144,413,803	136,881,723	25,943,751	199,218	422	15,877
2,001 - 3,000	103,252	258,921,474	256,191,674	150,854,284	114,267,862	856,743	507	15,975
3,001 - 4,000	105,965	370,944,850	366,097,603	160,850,174	209,738,160	1,570,113	395	20,261
4,001 - 5,000	107,661	484,636,937	476,754,548	169,505,402	309,523,272	2,323,570	799	352,321
5,001 - 6,000	99,181	544,988,964	534,159,085	162,937,738	372,646,355	2,793,380	600	810,934
6,001 - 7,000	95,110	617,936,251	604,457,469	163,094,373	442,408,173	3,446,451	809	1,292,104
7,001 - 8,000	95,776	718,215,395	701,149,992	171,149,741	530,923,593	4,594,351	927	2,052,054
8,001 - 9,000	91,738	779,826,760	760,890,733	168,587,126	593,234,376	5,594,107	4,222	2,716,567
9,001 - 10,000	91,839	872,618,734	848,387,099	173,820,890	675,253,249	6,767,441	5,111	3,464,175
10,001 - 11,000	92,916	975,693,620	947,613,109	186,548,454	761,656,694	7,973,481	6,303	4,149,550
11,001 - 12,000	90,346	1,039,081,310	1,008,264,916	180,087,998	828,665,079	9,270,197	12,153	5,164,524
12,001 - 13,000	89,320	1,116,526,513	1,083,521,524	179,979,676	904,078,160	11,176,033	17,992	6,638,700
13,001 - 14,000	89,738	1,211,631,608	1,176,639,033	182,489,386	994,600,084	13,481,221	31,804	8,366,883
14,001 - 15,000	90,815	1,317,140,259	1,278,307,756	187,740,597	1,090,969,076	16,018,345	47,727	10,279,492
15,001 - 16,000	90,069	1,396,296,338	1,355,721,286	187,481,410	1,168,608,420	18,351,090	69,337	12,063,339
16,001 - 17,000	89,999	1,485,076,739	1,441,475,819	188,768,250	1,253,054,055	20,936,198	94,549	14,177,718
17,001 - 18,000	90,011	1,575,393,091	1,530,138,500	190,959,467	1,339,482,530	23,792,895	127,184	16,643,164
18,001 - 19,000	88,982	1,646,118,944	1,600,567,773	190,386,010	1,410,450,153	26,529,003	169,944	19,156,557
19,001 - 20,000	88,166	1,719,334,392	1,672,241,491	191,159,496	1,481,365,907	29,288,221	222,304	21,837,574
20,001 - 22,500	216,111	4,590,797,768	4,464,934,350	473,552,617	3,992,022,073	85,176,445	847,519	67,089,922
22,501 - 25,000	205,862	4,888,144,018	4,754,179,716	456,721,326	4,297,954,913	101,373,599	1,294,054	83,814,245
25,001 - 27,500	197,336	5,179,107,544	5,031,613,451	441,937,223	4,590,142,494	117,625,306	1,837,685	100,081,383
27,501 - 30,000	190,708	5,482,141,599	5,319,658,636	429,424,157	4,890,605,666	133,727,821	2,230,983	115,906,262
30,001 - 32,500	179,044	5,594,303,314	5,420,421,533	410,446,732	5,010,319,277	144,119,372	2,510,936	126,629,855
32,501 - 35,000	169,379	5,713,508,759	5,536,758,537	394,825,046	5,142,221,619	154,177,143	3,014,367	136,603,443
35,001 - 37,500	156,795	5,681,691,011	5,497,023,653	375,123,733	5,122,146,155	158,840,664	3,667,257	141,364,616
37,501 - 40,000	145,330	5,629,193,892	5,437,781,600	361,232,688	5,076,772,441	161,867,790	4,482,470	143,901,638
40,001 - 42,500	135,333	5,580,235,131	5,391,913,657	348,583,042	5,043,492,592	164,949,601	5,320,669	147,019,608
42,501 - 45,000	125,049	5,468,415,928	5,275,903,930	332,827,785	4,943,286,481	165,984,257	6,153,954	147,694,557
45,001 - 47,500	115,289	5,330,638,813	5,141,156,806	317,086,518	4,824,234,806	166,380,051	7,012,115	147,692,042
47,501 - 50,000	107,911	5,259,666,346	5,066,672,400	304,362,410	4,762,464,999	168,389,515	8,009,875	148,989,688
50,001 - 55,000	193,424	10,144,821,252	9,762,614,049	564,277,744	9,198,610,439	335,902,200	16,789,146	297,329,617
55,001 - 60,000	169,757	9,752,566,694	9,380,115,083	517,540,867	8,862,817,529	335,648,859	15,286,671	299,632,282
60,001 - 65,000	149,453	9,332,441,822	8,975,621,122	474,607,570	8,501,253,447	331,717,413	16,821,131	295,143,018
65,001 - 70,000	132,329	8,925,040,209	8,603,257,825	433,695,271	8,169,725,275	327,041,276	18,144,137	290,068,518
70,001 - 75,000	116,321	8,427,181,501	8,130,403,352	391,418,833	7,739,156,255	316,477,415	18,922,340	279,934,210
75,001 - 80,000	101,079	7,826,342,590	7,560,826,415	349,922,566	7,211,034,643	300,280,743	17,064,854	266,817,438
80,001 - 90,000	158,888	13,460,154,725	13,039,555,369	566,353,496	12,473,388,237	533,032,974	19,197,467	484,335,060
90,001 - 100,000	111,877	10,592,190,822	10,285,509,573	410,849,585	9,874,807,434	438,597,288	15,078,426	398,944,271
100,001 - 150,000	219,584	26,057,261,769	25,391,911,385	821,506,995	24,570,426,869	1,196,812,294	39,632,671	1,075,545,825
150,001 - 200,000	63,433	10,859,183,176	10,639,456,366	240,616,185	10,398,888,484	572,556,510	17,330,486	501,270,603
200,001 & above	90,918	68,263,240,745	68,286,756,038	342,238,570	67,944,597,920	4,779,080,067	28,383,794	2,231,590,702
STATE TOTALS	**5,299,150**	**$266,349,631,712**	**$260,217,241,080**	**$3,167,412,807**	**$247,148,349,071**	**$11,394,733,661**	**$269,846,096**	**$8,056,626,344**

* As reported on returns due April 15, 2004.

Table 2
Comparison of 2002 and 2003 Individual Income Tax Returns

Income Level (Federal Adjusted Gross Income)	Number of Returns		Federal Adjusted Gross Income		Ohio Taxable Income		Joint Filer Credit		Ohio Income Tax	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
0 - $5,000	482,836	473,934	$1,318,332,047	$1,295,483,366	$694,461,710	$660,583,119	$513	$2,123	$407,502	$414,206
$5,001 - 10,000	473,756	473,644	3,532,257,496	3,533,586,104	2,658,659,345	2,614,465,746	7,447	11,669	10,533,093	10,335,834
10,001 - 15,000	454,255	453,135	5,677,870,563	5,660,073,310	4,656,717,679	4,579,969,093	123,340	115,979	35,501,213	34,599,149
15,001 - 20,000	450,461	447,227	7,877,645,673	7,822,219,504	6,764,278,535	6,652,961,065	705,173	683,318	85,852,468	83,878,352
20,001 - 40,000	1,479,290	1,460,565	43,224,278,875	42,758,887,905	38,787,534,770	38,122,184,638	20,969,571	19,885,271	934,350,689	915,391,364
40,001 - 80,000	1,364,432	1,345,945	76,966,910,556	76,047,350,286	70,363,212,477	69,256,076,466	137,784,588	129,524,892	2,351,299,864	2,320,320,978
80,001 - 100,000	250,499	270,765	22,239,978,125	24,052,345,547	20,691,101,406	22,348,195,671	31,786,491	34,275,893	816,505,913	883,279,331
100,001 - 200,000	262,292	283,017	34,248,208,389	36,916,444,945	32,425,978,491	34,969,315,353	52,668,271	56,963,157	1,458,579,646	1,576,816,428
200,001 & above	87,006	90,918	61,563,185,262	68,263,240,745	60,936,064,964	67,944,597,920	27,206,706	28,383,794	2,141,462,311	2,231,590,702
Total	**5,304,827**	**5,299,150**	**$256,648,666,986**	**$266,349,631,712**	**$237,978,009,377**	**$247,148,349,071**	**$271,252,100**	**$269,846,096**	**$7,834,492,699**	**$8,056,626,344**

Table 3
Comparison of 2002 and 2003 Individual Income Tax Returns with Tax Liability

Income Level (Federal Adjusted Gross Income)	Number of Returns with Tax Liability		Ohio Income Tax	
	2002	2003	2002	2003
0 - $5,000	85,601	79,960	$407,502	$414,206
$5,001 - 10,000	322,957	319,321	10,533,093	10,335,834
10,001 - 15,000	349,917	343,004	35,501,213	34,599,149
15,001 - 20,000	394,712	386,633	85,852,468	83,878,352
20,001 - 40,000	1,451,064	1,428,286	934,350,689	915,391,364
40,001 - 80,000	1,350,654	1,331,366	2,351,299,864	2,320,320,978
80,001 - 100,000	247,948	267,948	816,505,913	883,279,331
100,001 - 200,000	258,981	279,175	1,458,579,646	1,576,816,428
200,001 & above	84,000	87,532	2,141,462,311	2,231,590,702
Total	**4,545,834**	**4,523,225**	**$7,834,492,699**	**$8,056,626,344**

Table 4
2003 Ohio Individual Income Tax Returns for All Filing Status Categories

Income Level (Federal Adjusted Gross Income)	Number of Returns	Federal Adjusted Gross Income	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate*
0 - $5,000	473,934	$1,295,483,366	$660,583,119	$2,123	$414,206	0.03%
$5,001 - 10,000	473,644	3,533,586,104	2,614,465,746	11,669	10,335,834	0.29%
10,001 - 15,000	453,135	5,660,073,310	4,579,969,093	115,979	34,599,149	0.61%
15,001 - 20,000	447,227	7,822,219,504	6,652,961,065	683,318	83,878,352	1.07%
20,001 - 40,000	1,460,565	42,758,887,905	38,122,184,638	19,885,271	915,391,364	2.14%
40,001 - 80,000	1,345,945	76,047,350,286	69,256,076,466	129,524,892	2,320,320,978	3.05%
80,001 - 100,000	270,765	24,052,345,547	22,348,195,671	34,275,893	883,279,331	3.67%
100,001 - 200,000	283,017	36,916,444,945	34,969,315,353	56,963,157	1,576,816,428	4.27%
200,001 & above	90,918	68,263,240,745	67,944,597,920	28,383,794	2,231,590,702	3.27%
Total	**5,299,150**	**$266,349,631,712**	**$247,148,349,071**	**$269,846,096**	**$8,056,626,344**	**3.02%**

* Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 5
2003 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status

Income Level (Federal Adjusted Gross Income)	Number of Returns	Federal Adjusted Gross Income	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate*
0 - $5,000	17,211	$51,356,400	$11,666,156	$31,700	0.06%
$5,001 - 10,000	41,309	322,291,894	171,430,431	143,489	0.04%
10,001 - 15,000	73,395	928,733,144	634,602,604	1,498,945	0.16%
15,001 - 20,000	94,458	1,657,168,278	1,258,638,792	7,406,532	0.45%
20,001 - 40,000	389,770	11,741,125,675	9,698,958,570	189,081,627	1.61%
40,001 - 80,000	781,592	46,154,944,155	41,191,026,786	1,330,090,636	2.88%
80,001 - 100,000	222,512	19,788,234,113	18,288,363,824	716,344,179	3.62%
100,001 - 200,000	242,369	31,651,353,520	29,932,097,220	1,344,172,979	4.25%
200,001 & above	77,319	53,704,282,562	53,437,126,151	1,893,098,952	3.53%
Total	**1,939,935**	**$165,999,489,741**	**$154,623,910,534**	**$5,481,869,039**	**3.30%**

* Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 6
2003 Ohio Individual Income Tax Returns Claiming Single Filing Status

Income Level (Federal Adjusted Gross Income)	Number of Returns	Federal Adjusted Gross Income	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate*
0 - $5,000	451,133	$1,228,677,494	$640,513,752	$372,899	0.03%
$5,001 - 10,000	423,379	3,142,200,341	2,389,281,800	9,895,112	0.31%
10,001 - 15,000	361,156	4,491,724,806	3,739,076,358	30,874,576	0.69%
15,001 - 20,000	318,482	5,558,928,184	4,852,619,931	67,649,548	1.22%
20,001 - 40,000	854,427	24,453,765,834	22,362,083,169	563,205,687	2.30%
40,001 - 80,000	403,465	21,292,933,756	19,903,114,549	695,011,151	3.26%
80,001 - 100,000	32,520	2,874,790,563	2,714,818,044	109,564,566	3.81%
100,001 - 200,000	29,352	3,819,036,726	3,627,461,510	163,902,601	4.29%
200,001 & above	10,792	11,992,624,085	11,953,316,533	251,118,929	2.09%
Total	**2,884,706**	**$78,854,681,789**	**$72,182,285,646**	**$1,891,595,069**	**2.40%**

* Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 7
2003 Ohio Individual Income Tax Returns Claiming Married Separate Filing Status

Income Level (Federal Adjusted Gross Income)	Number of Returns	Federal Adjusted Gross Income	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate*
0 - $5,000	5,589	$15,449,471	$8,403,210	$9,609	0.06%
$5,001 - 10,000	8,957	69,093,870	53,753,515	297,233	0.43%
10,001 - 15,000	18,583	239,615,358	206,290,132	2,225,629	0.93%
15,001 - 20,000	34,286	606,123,045	541,702,342	8,822,271	1.46%
20,001 - 40,000	216,368	6,563,996,394	6,061,142,900	163,104,051	2.48%
40,001 - 80,000	160,888	8,599,472,373	8,161,935,133	295,219,189	3.43%
80,001 - 100,000	15,733	1,389,320,872	1,345,013,803	57,370,586	4.13%
100,001 - 200,000	11,295	1,446,054,698	1,409,756,624	68,740,848	4.75%
200,001 & above	2,806	2,566,334,098	2,554,155,235	87,372,822	3.40%
Total	**474,505**	**$21,495,460,179**	**$20,342,152,894**	**$683,162,238**	**3.18%**

* Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 8
2003 Ohio Individual Income Tax Returns by Ohio Taxable Income Level

Income Level (Ohio Taxable Income)	Number of Returns*	$20 Exemption Credit	Joint Filer Credit	Ohio Income Tax
0 - $5,000	695,413	$13,601,923	$384	$1,404,531
$5,001 - 10,000	495,097	13,186,501	47,805	16,486,301
10,001 - 15,000	464,769	13,241,557	485,792	53,345,442
15,001 - 20,000	452,271	15,678,314	1,879,244	117,506,027
20,001 - 40,000	1,429,311	53,301,477	30,743,031	1,064,779,215
40,001 - 80,000	1,212,197	58,968,626	128,822,580	2,362,330,553
80,001 - 100,000	223,703	12,834,062	29,044,277	804,338,267
100,001 - 200,000	240,576	14,377,940	51,872,994	1,448,196,646
200,001 & above	85,813	5,174,640	26,949,989	2,188,239,362
Total	**5,299,150**	**$200,365,040**	**$269,846,096**	**$8,056,626,344**

*Differs from other tables due to methodology of computation.

Table 9
2003 Ohio Individual Income Tax Returns Claiming the Joint Filer Credit

Income Level (Federal Adjusted Gross Income)	Number of Returns Claiming Credit*	Federal Adjusted Gross Income	Ohio Taxable Income	Ohio Income Tax
0 - $5,000	89	$393,399	$792,147	$11,519
$5,001 - 10,000	1,612	13,781,573	11,499,393	50,307
10,001 - 15,000	9,298	121,349,196	92,958,086	481,377
15,001 - 20,000	25,358	454,189,363	364,071,424	2,685,239
20,001 - 40,000	204,868	6,324,907,542	5,359,097,157	100,436,040
40,001 - 80,000	584,947	35,002,829,830	31,695,493,814	1,012,432,399
80,001 - 100,000	181,847	16,169,612,335	15,093,657,886	592,009,042
100,001 - 200,000	185,871	24,032,453,081	22,889,476,306	1,031,976,058
200,001 & above	44,710	24,962,355,372	24,779,752,875	1,061,292,603
Total	**1,238,600**	**$107,081,871,691**	**$100,286,799,088**	**$3,801,374,584**

* Differs from other tables due to methodology of computation.

Table 10
2003 Ohio Individual Income Tax Returns Claiming the Senior Citizen Credit

Income Level (Federal Adjusted Gross Income)	Number of Returns Claiming Credit	Federal Adjusted Gross Income	Ohio Taxable Income	Senior Citizen Credit	Retirement Income Credit*	Ohio Income Tax
0 - $5,000	17,390	$60,839,568	$32,313,591	$868,953	$746,591	$4,112
$5,001 - 10,000	59,347	464,739,910	340,396,000	2,966,750	5,283,491	57,991
10,001 - 15,000	84,943	1,063,789,218	835,309,970	4,246,853	11,234,410	945,717
15,001 - 20,000	82,679	1,440,008,248	1,165,350,576	4,133,338	12,193,421	4,024,758
20,001 - 40,000	172,482	4,914,968,019	3,851,020,402	8,623,137	26,646,705	54,427,698
40,001 - 80,000	127,722	7,189,556,000	5,347,686,095	6,386,021	19,401,609	145,681,560
80,001 - 100,000	23,088	2,047,953,807	1,593,940,281	1,154,387	3,321,351	56,078,857
100,001 - 200,000	28,290	3,755,793,669	3,142,017,216	1,414,365	3,760,191	134,176,522
200,001 & above	12,598	13,002,021,870	12,820,453,284	629,862	1,363,801	339,810,083
Total	**608,539**	**$33,939,670,309**	**$29,128,487,415**	**$30,423,666**	**$83,951,570**	**$735,207,298**

* This represents only the amount of the retirement income credit taken by senior citizen credit claimants.
The total amount of the retirement income credit reported on the tax returns is $125.0 million.

Table 11
2003 Ohio Individual Income Tax Returns, by County

County	Number of Returns	Federal Adjusted Gross Income	Ohio Income Tax
ADAMS	12,290	$376,353,227	$9,884,020
ALLEN	48,568	1,900,735,488	61,130,472
ASHLAND	23,587	876,908,818	26,562,034
ASHTABULA	45,097	1,503,070,976	41,794,606
ATHENS	22,376	766,519,877	22,906,774
AUGLAIZE	22,055	865,541,961	27,152,886
BELMONT	29,551	984,887,057	27,279,052
BROWN	18,101	626,116,377	17,486,535
BUTLER	155,593	7,306,638,704	255,456,980
CARROLL	12,665	431,899,530	12,136,156
CHAMPAIGN	17,397	671,267,940	20,519,751
CLARK	62,858	2,374,485,424	72,940,776
CLERMONT	86,605	4,091,931,132	143,087,066
CLINTON	20,136	756,323,494	23,162,636
COLUMBIANA	47,168	1,609,872,092	46,192,742
COSHOCTON	16,257	535,862,649	14,835,509
CRAWFORD	21,975	728,053,085	20,176,047
CUYAHOGA	603,402	27,866,697,017	1,008,489,798
DARKE	25,514	911,524,655	27,482,351
DEFIANCE	19,039	758,155,639	23,578,029
DELAWARE	67,031	5,049,673,260	222,066,708
ERIE	37,926	1,609,132,845	54,913,550
FAIRFIELD	60,199	2,747,444,142	93,762,064
FAYETTE	13,132	436,314,191	12,362,098
FRANKLIN	515,332	24,046,958,382	873,980,431
FULTON	20,713	819,363,491	25,220,558
GALLIA	12,573	445,480,555	13,505,971
GEAUGA	43,013	2,807,981,901	120,988,026
GREENE	67,981	3,516,073,973	129,606,419
GUERNSEY	17,724	558,709,709	15,481,817
HAMILTON	381,803	19,758,448,506	768,274,515
HANCOCK	34,188	1,490,380,436	50,913,676
HARDIN	13,438	466,336,128	13,177,498
HARRISON	6,742	205,248,678	5,302,857
HENRY	13,970	530,303,459	15,799,353
HIGHLAND	17,291	574,928,433	16,437,689
HOCKING	12,316	406,712,149	11,221,950
HOLMES	13,838	494,345,148	15,435,103
HURON	29,435	1,098,424,624	33,788,552
JACKSON	13,786	450,613,196	12,647,531
JEFFERSON	31,034	1,087,522,768	31,427,165
KNOX	24,917	942,360,904	28,526,373
LAKE	113,417	4,971,678,871	168,813,082
LAWRENCE	24,418	793,149,869	21,213,534
LICKING	72,608	3,116,195,227	103,646,683
LOGAN	21,993	866,339,441	27,378,432
LORAIN	134,719	5,734,241,319	190,418,496
LUCAS	197,786	8,546,253,042	295,945,764
MADISON	17,774	$755,602,616	$24,756,254
MAHONING	110,284	4,312,535,362	140,383,892
MARION	28,068	1,026,924,798	31,002,877
MEDINA	78,028	3,939,062,916	142,468,096
MEIGS	8,712	269,177,133	6,988,341
MERCER	20,170	746,933,060	22,958,552
MIAMI	48,332	2,064,243,224	69,514,133
MONROE	6,307	195,825,099	5,026,116
MONTGOMERY	247,346	10,734,829,035	365,348,909
MORGAN	6,306	193,473,077	4,769,189
MORROW	13,624	494,492,449	14,363,772
MUSKINGUM	39,075	1,356,696,048	40,990,369
NOBLE	5,216	156,800,852	4,058,733
OTTAWA	20,984	883,503,933	28,777,783
PAULDING	9,195	331,538,189	9,659,924
PERRY	14,645	473,678,335	12,900,633
PICKAWAY	21,847	864,505,166	26,406,040
PIKE	11,441	373,887,713	10,198,392
PORTAGE	69,820	2,979,484,954	100,253,240
PREBLE	18,020	672,867,112	19,544,728
PUTNAM	17,311	688,822,228	21,802,850
RICHLAND	57,468	2,173,944,092	68,055,174
ROSS	32,149	1,165,199,453	34,663,604
SANDUSKY	30,371	1,091,104,431	32,165,607
SCIOTO	27,759	938,121,262	26,814,423
SENECA	26,971	941,617,195	27,182,340
SHELBY	23,542	914,773,796	29,218,119
STARK	174,122	7,000,287,430	229,605,681
SUMMIT	250,538	11,582,619,446	418,257,823
TRUMBULL	102,017	3,881,698,304	120,478,485
TUSCARAWAS	44,011	1,544,866,878	45,998,334
UNION	20,391	992,656,283	34,684,623
VAN WERT	14,156	493,991,882	13,718,362
VINTON	4,609	145,943,381	4,008,516
WARREN	83,687	4,895,579,178	188,931,533
WASHINGTON	26,703	972,237,593	28,651,142
WAYNE	52,157	2,021,247,318	63,696,882
WILLIAMS	18,732	700,799,399	21,527,802
WOOD	55,892	2,627,712,724	94,368,288
WYANDOT	11,374	392,367,523	11,326,256
88-COUNTY TOTAL	**5,192,896**	**$227,505,110,654**	**$7,870,035,929**
OTHER (a)	**106,466**	**$38,844,521,058**	**$186,591,959**
STATE TOTAL (b)	**5,299,362**	**$266,349,631,712**	**$8,056,627,888**

(a) Includes returns from out-of-state filers and returns not indicating county of residence.

(b) Differs from other tables due to methodology of computation.

Table 12
Rank of Counties by Average Income as Reported on 2003 Ohio Individual Income Tax Returns*

County	Average Federal Adjusted Gross Income	Percent of State Average	Rank
ADAMS	$30,623	69.90%	86
ALLEN	39,136	89.33%	33
ASHLAND	37,178	84.86%	47
ASHTABULA	33,330	76.08%	70
ATHENS	34,256	78.19%	66
AUGLAIZE	39,245	89.58%	32
BELMONT	33,328	76.07%	71
BROWN	34,590	78.95%	64
BUTLER	46,960	107.19%	10
CARROLL	34,102	77.84%	68
CHAMPAIGN	38,585	88.07%	37
CLARK	37,775	86.22%	42
CLERMONT	47,248	107.85%	8
CLINTON	37,561	85.73%	43
COLUMBIANA	34,131	77.90%	67
COSHOCTON	32,962	75.24%	76
CRAWFORD	33,131	75.62%	74
CUYAHOGA	46,183	105.41%	13
DARKE	35,726	81.55%	55
DEFIANCE	39,821	90.89%	27
DELAWARE	75,333	171.95%	1
ERIE	42,428	96.84%	24
FAIRFIELD	45,639	104.17%	14
FAYETTE	33,225	75.84%	73
FRANKLIN	46,663	106.51%	11
FULTON	39,558	90.29%	30
GALLIA	35,432	80.87%	57
GEAUGA	65,282	149.01%	2
GREENE	51,721	118.06%	5
GUERNSEY	31,523	71.95%	82
HAMILTON	51,750	118.12%	4
HANCOCK	43,594	99.50%	16
HARDIN	34,703	79.21%	63
HARRISON	30,443	69.49%	87
HENRY	37,960	86.65%	39
HIGHLAND	33,250	75.89%	72
HOCKING	33,023	75.38%	75
HOLMES	35,724	81.54%	56
HURON	37,317	85.18%	46
JACKSON	32,686	74.61%	77
JEFFERSON	35,043	79.99%	59
KNOX	37,820	86.33%	41
LAKE	43,835	100.06%	15
LAWRENCE	32,482	74.14%	79
LICKING	42,918	97.96%	19
LOGAN	39,392	89.91%	31
LORAIN	$42,564	97.16%	22
LUCAS	43,210	98.63%	18
MADISON	42,512	97.03%	23
MAHONING	39,104	89.26%	34
MARION	36,587	83.51%	49
MEDINA	50,483	115.23%	6
MEIGS	30,897	70.52%	84
MERCER	37,032	84.53%	48
MIAMI	42,710	97.49%	20
MONROE	31,049	70.87%	83
MONTGOMERY	43,400	99.06%	17
MORGAN	30,681	70.03%	85
MORROW	36,296	82.85%	51
MUSKINGUM	34,720	79.25%	62
NOBLE	30,062	68.62%	88
OTTAWA	42,104	96.10%	25
PAULDING	36,056	82.30%	53
PERRY	32,344	73.83%	80
PICKAWAY	39,571	90.32%	29
PIKE	32,680	74.59%	78
PORTAGE	42,674	97.40%	21
PREBLE	37,340	85.23%	45
PUTNAM	39,791	90.82%	28
RICHLAND	37,829	86.35%	40
ROSS	36,244	82.73%	52
SANDUSKY	35,926	82.00%	54
SCIOTO	33,795	77.14%	69
SENECA	34,912	79.69%	60
SHELBY	38,857	88.69%	35
STARK	40,203	91.77%	26
SUMMIT	46,231	105.52%	12
TRUMBULL	38,050	86.85%	38
TUSCARAWAS	35,102	80.12%	58
UNION	48,681	111.12%	7
VAN WERT	34,896	79.65%	61
VINTON	31,665	72.28%	81
WARREN	58,499	133.53%	3
WASHINGTON	36,409	83.11%	50
WAYNE	38,753	88.46%	36
WILLIAMS	37,412	85.39%	44
WOOD	47,014	107.31%	9
WYANDOT	34,497	78.74%	65
88-COUNTY TOTAL	**$43,811**	**100.00%**	

* Includes only returns indicating a county of residence.

Kilowatt-Hour Tax

The kilowatt-hour tax and its companion self-assessor option tax were created by Substitute Senate Bill 3, 123rd General Assembly, as part of electric utility deregulation. This tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It also replaced the tax losses from the reduction in electric and rural electric tangible personal property tax assessment rates.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. It levies one of three rates depending on the kilowatt-hour consumption of the individual end user of electricity. For certain large consumers of electricity, there exists a self-assessor option tax. This tax 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. The first payment was in June 2001 and was based upon May 2001 liability. In Fiscal Year 2005, the tax generated approximately $539.4 million in total revenue.

Amended Sub. S.B. 287, 123rd General Assembly, made several changes to the tax prior to its taking effect. First, it lowered the threshold to qualify as a self-assessor and capped the consumption portion of the self-assessor tax. It provided that the exempt qualified end-users will remit tax on the nonqualified portion of the electricity consumption. An exemption was enacted for qualified regeneration facilities. It also allowed for businesses to declare that they will have enough electricity consumption in the upcoming year so they may self-assess, with a "recapture tax," if that business fails to meet the self-assessor threshold. The bill also contained a provision that if a self-assessor is served by a municipal electric utility and is located within that municipality, the tax will be remitted to the municipality (see the **Municipal Income Tax for Electric Light Companies and Telephone Companies** chapter).

House Bill 94, 124th General Assembly, also made several changes to the tax. First, it made a clarification to the cap on the consumption portion of the self-assessor option tax that was enacted under Sub. S.B. 287. It also clarified the annual application process for the self-assessor option. Several administrative and technical corrections were also made to the methodology of operations of the School District Property Tax Replacement Fund and the Local Government Property Tax Replacement Fund. H.B. 94 also froze the Local Government Fund and the Local Government Revenue Assistance Fund. In general, these funds were frozen at their FY 2001 level for the FY 2002 and FY 2003 monthly distributions. However, since the kilowatt-hour tax was not in effect for the whole of FY 2001, there were no distributions from the revenue to either of the local government funds.

The freeze on the local government funds was continued in FY 2004 and FY 2005 under the provisions of H.B. 95, the FY 2004-2005 biennium budget bill, and was continued again in FY 2006 under the provisions of H.B. 66, 126th General Assembly, the FY 2006-2007 biennium budget bill. The amounts of the kilowatt-hour tax that normally would have gone to the local government funds was credited to the state General Revenue Fund.

Taxpayer:

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users ("qualified end users") that consume more than 45 million kilowatt-hours of electricity during a calendar year. Qualified end users can register to self-assess the tax.

Tax Base (Ohio Revised Code 5727.81):

1. For end users that do not self-assess, the base is on the amount of the kilowatt-hours distributed to them per month.
2. For end users above 45 million kilowatt-hours of annual consumption who opt to self-assess, it is partially based on the number of kilowatt-hours distributed to them per month and partially on the total price per month. The consumption portion of this option is capped at the first 504 million kilowatt-hours distributed to the end user during each registration year.

Rates (R.C. 5727.81):

1. Electric distribution companies pay rates based on the monthly consumption by each end user, using the following schedule:

Monthly Kilowatt-Hours Distributed to the End User	Rate per Kilowatt-Hour
0 – 2,000 kilowatt-hours	$0.00465
2001 – 15,000 kilowatt-hours	0.00419
Over 15,000 kilowatt-hours	0.00363

2. For end users above 45 million kilowatt-hours in annual consumption, there is an option to self-assess the tax. This self-assessor tax is calculated as the sum of 4.0 percent of the total price plus $.00075 per kilowatt-hour on the first 504 million kilowatt-hours of annual consumption.

Exemptions and Deductions (R.C. 5727.80, 5727.81):

Exempt end users of electricity are:

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

Credits:

None.

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. The payment will reflect the amount of electricity distributed to the end users during the preceding month. An annual application for registration as a self-assessing purchaser shall be made on a form prescribed by the Tax Commissioner. The registration year begins on May 1 and ends on the following April 30. Persons may apply after May 1 for the remainder of the registration year.

Disposition of Revenue (R.C. 5727.84):

Fund	Percentage
(a) General Revenue Fund	59.976%
(b) Local Government Fund*	2.646
(c) Local Government Revenue Assistance Fund*	0.378
(d) School District Property Tax Replacement Fund	25.400
(e) Local Government Property Tax Replacement Fund	11.600
Total Distribution	**100 %**

*H.B. 94, 124th General Assembly, temporarily froze the Local Government and Local Government Revenue Assistance Funds (see the **Local Government Funds, State and County** chapter). In general, the funds were frozen at their FY 2001 level for FY 2002 and FY 2003. Since the kilowatt-hour tax was in effect for only one month of FY 2001, no distributions from the tax were made to those two funds during the FY 2002 and FY 2003 periods.

This freeze was continued in FY 2004 and FY 2005 under H.B. 95, 125th General Assembly, and continued again in FY 2006 and FY 2007 by H.B. 66. Revenue that would have gone to the local government funds during these years was instead credited 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:

Chapter 5727.

Recent Legislation:

Amended Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill; this provision effective September 29, 2005). R.C. 5727.84(C)(3):
Provided that revenues from the kilowatt hour tax and the natural gas consumption tax are paid into a fund that is then divided between the General Revenue Fund and several other funds. Prior law provided that if the revenues raised by the tax fell below certain amounts, the amount of tax payable into the General Revenue Fund would be decreased in order to make up the lost revenue in the other funds. This law was repealed and there will be no reduction in the amount of tax credited to the General Revenue Fund.

Table
Kilowatt-Hour Tax Collections and Distributions
Fiscal Years 2001 - 2005

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2001	$38,026,260	$22,806,630	$1,006,175	$143,739	$9,848,801	$4,220,915
2002	513,251,495	323,348,442	0	0	132,741,040	57,162,014
2003	539,448,360	339,852,637	0	0	137,019,952	62,576,041
2004	538,044,462	338,961,216	0	0	136,668,104	62,415,142
2005	539,354,909	339,793,592	0	0	136,996,147	62,565,170

Library & Local Government Support Fund

In 1985, the 115th General Assembly enacted House Bill 291, that created the Library and Local Government Support Fund (LLGSF) to replace the locally-collected intangible property tax, which was repealed in calendar year 1986. The LLGSF provides aid from state income tax collections to counties, on a monthly basis, which in turn distribute it to libraries and local governments that were receiving revenue from the intangible property tax. H.B. 291 also created a 12-member Public Library Financing and Support Committee to assist the General Assembly and the Governor in developing an equitable method of distributing the funds among the counties. A distribution formula was incorporated in H.B.146 and became law on July 12, 1985.

In calendar year 2004, approximately $455.5 million was distributed from the fund, a 0.6% increase over the prior year.

H.B. 94, 124th General Assembly, the Fiscal Year 2002-2003 biennium budget bill, temporarily set aside the H.B. 146 distribution formula. Between July 2001 and July 2003, counties received the same amounts they received during the corresponding months of the July 2000 through June 2001 period. However, each county's monthly distribution was reduced by the county's proportion of the amount required to be transferred to the Ohio Public Library Information Network (OPLIN) Technology Fund. Additionally, distributions in July 2002 and July 2003 were reduced as a result of H.B. 405 adjustments.

This freeze was continued in FY 2004 with H.B. 95, 125th General Assembly, the FY 2004-2005 biennium budget bill. During each month of the July 2003 - June 2004 period and the July 2004 - June 2005 period, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received during the corresponding month of the July 2002 - June 2003 period. However, the May 2004 and May 2005 deposits were reduced by the June 2003 H.B. 405 adjustment of $31.4 million, but this amount was added back to the June 2004 and June 2005 deposits.

H.B. 66 of the 126th General Assembly basically extended the temporary freeze set in H.B. 95. Each month, during the July 2005 - June 2006 period, the LLGSF will receive the same amount it received in such month during the July 2004 - June 2005 period. In addition, during the period of July 2006 - June 2007, the LLGSF will receive the same amounts it received in such month during the July 2005 - June 2006 period.

Revenue Source (Ohio Revised Code 131.44, 5747.03):

According to permanent law, the LLGSF receives 5.7 percent of the individual income tax collections. However, H.B. 66, 126th General Assembly, temporarily freezes the fund. Specific dollar amounts are transferred from the income tax to the fund each month during the FY 2006 and FY 2007 period.

Distributions to Counties (R.C. 5747.46):

The distribution formula contained in R.C. 5747.46 consists of two parts: the guaranteed share and the share of the excess.

The guaranteed share is equal to the previous year's fund total plus an inflation factor. This portion of the fund is distributed to counties based on each county's share of the previous year's fund total. When there is an amount in excess of the guaranteed share, it is distributed among counties based on their equalization ratios.

The equalization ratio is determined by the county's most recent percentage of the state's population and the county's percentage share of the previous year's total distribution. Each county's equalization ratio is multiplied by the total amount of the share of the excess to determine each county's portion of that amount. The ratio allows those counties that have had the lowest per capita LLGSF distributions in prior years to see the greatest per capita growth in funding, while assuring that all counties have relative growth.

Monthly Distribution Procedure (R.C. 5747.47, 5747.48):

The Department of Taxation determines the total amount available and the allocation to be made to each county. The allocation of the county LLGSF is made by the county treasurer to the county boards, public library trustees, municipal corporations, and the boards of township and park commissioners on or before the 15th of each month.

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 given to all libraries. The amount given to each library is based on its needs for building construction and improvement, operations, maintenance, and other expenses required by the library and its branches. The amount paid to all libraries shall never be a smaller percentage than the average percentage of the county's classified property taxes that were distributed to libraries in 1982, 1983, and 1984. After fixing the amount to be distributed to libraries in the county, the county budget commission shall fix an amount to distribute to municipal corporations in the county. Each municipal corporation shall receive a percentage of the remainder equal to the percent received of classified property taxes originating from such municipality in 1984.

Revenue Entitlements to Counties (R.C. 5747.47):

The Department of Taxation certifies three estimated entitlement figures to counties for each year: one by July 20th of the previous year, one in

December of the previous year, and another in June of the distribution year. Each December, the department also certifies the actual amount each county was entitled to receive under the distribution formula during the current calendar year, the amount each county actually received, and the difference between the two. During the first six months of the next year, each county's distribution will be adjusted for any overpayment or underpayment in the preceding year. However, during the periods in which the freeze is in effect, the statutory entitlement and adjustment formulas, as well as the certifications reflecting those formulas, have been temporarily suspended. Table 1 shows the amounts actually distributed to the counties in 2004, which totaled $455.5 million.

Recent Legislation

H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).
Section 557.12:
The bill continued the freeze on deposits and distributions from the LLGSF through FY 2006 and FY 2007. Amounts deposited into the fund from July 2005 through June 2006 are to equal the deposits into the fund made during the period of July 2004 through June 2005. In addition, amounts deposited into the fund during the period of July 2006 through June 2007 are to equal the deposits made during the July 2005 through June 2006 period.

The bill also provides for a "reconciliation" mechanism. In June of 2006 and June of 2007, the Tax Commissioner is to compare the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compare them to the amounts that would have been distributed under permanent law. If the amounts distributed under the H.B. 66 freeze exceed the amounts that would have been distributed under permanent law, then an amount shall be subtracted from the income tax revenue credited to the LLGSF to make up that difference.

Library & Local Government Support Fund
CalendarYears 1999 - 2004

(figures in millions)

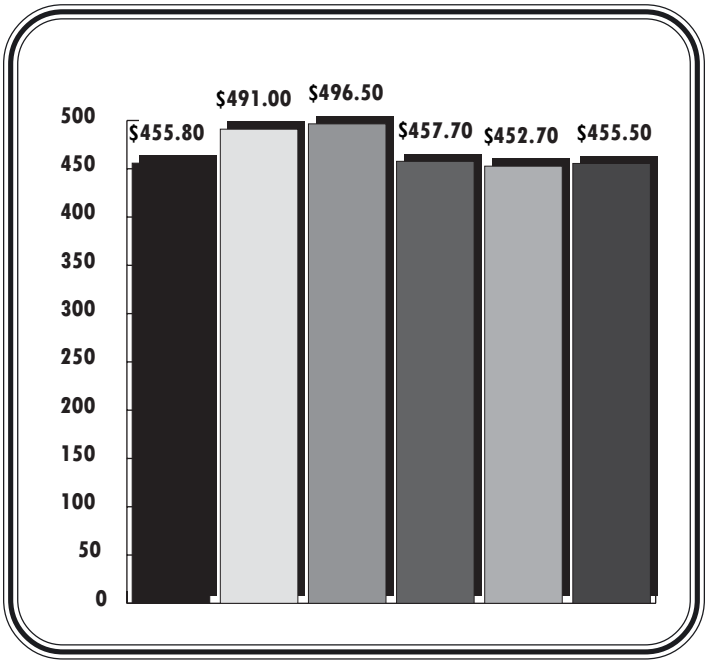


Table 1
Library and Local Government Support Fund, Total Amounts Distributed to Counties, Calendar Years 1986 - 2004

Calendar Year	Guaranteed Share	Equalization Share	Total Distribution	Percent Change in Total Distribution
1986	$167,535,449	$10,693,752	$178,229,201	—
1987	181,080,868	26,292,922	207,373,790	16.4%
1988	215,253,994	3,009,660	218,263,654	5.3
1989	226,775,936	24,554,945	251,330,881	15.2
1990	262,655,557	—	262,655,557	4.5
1991	268,793,142	—	268,793,142	2.3
1992(a)	268,793,142	—	268,793,142	0.0
1993(b)	276,856,936	7,843,064	284,700,000	5.9
1994	293,810,400	3,172,181	296,982,901	4.3
1995	303,813,180	15,019,721	318,832,901	7.4
1996	329,035,554	13,564,940	342,600,494	7.5
1997	352,535,908	23,461,438	375,997,346	9.7
1998	384,269,286	40,394,095	424,663,381	12.9
1999	431,882,659	23,881,967	455,764,626	7.3
2000	465,355,682	25,664,582	491,000,264	7.7
2001(c)	—	—	496,458,342	1.1
2002(d)	—	—	457,671,290	-7.8
2003(e)	—	—	452,648,009	-1.1
2004 (f)	—	—	455,470,323	0.6

(a) Distributions during calendar year 1992 were capped at the 1991 dollar level.

(b) Total calendar year 1993 distributions were guaranteed to equal at least $284.7 million.

(c) Beginning in July 2001, distributions were "frozen" at the amount received during July 2000 - December 2000. Figure shown is after transfers to OPLIN Technology Fund.

(d) Distributions during calendar year 2002 were "frozen" based upon the amounts distributed during July 2000 - June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund after March 2002 and July 2002 reconciliation adjustments pursuant to H.B. 405.

(e) Distributions during calendar year 2003 were "frozen" based upon the amounts distributed during July 2000- June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund, the July 2003 reconciliation adjustment pursuant to H.B. 405, and the $ 9.7 million reduction in July 2003 as required by H.B. 40.

(f) Distributions during calendar year 2004 were "frozen" based on the amounts distributed during calendar year 2003. Figure shown is after transfers to OPLIN Technology Fund.

Table 2
Library and Local Government Support Fund - Amounts Distributed by County*, Calendar Year 2004

County	Amount	County	Amount
ADAMS	$991,996	LOGAN	$1,626,213
ALLEN	4,180,661	LORAIN	10,268,601
ASHLAND	1,920,903	LUCAS	18,557,361
ASHTABULA	3,758,568	MADISON	1,440,392
ATHENS	2,196,857	MAHONING	10,103,888
AUGLAIZE	1,764,613	MARION	2,432,930
BELMONT	2,688,679	MEDINA	4,946,858
BROWN	1,391,352	MEIGS	869,232
BUTLER	11,500,298	MERCER	1,518,343
CARROLL	1,030,982	MIAMI	3,727,432
CHAMPAIGN	1,347,620	MONROE	565,124
CLARK	5,473,188	MONTGOMERY	23,823,028
CLERMONT	5,958,023	MORGAN	526,571
CLINTON	1,446,066	MORROW	1,081,409
COLUMBIANA	4,103,717	MUSKINGUM	3,130,766
COSHOCTON	1,375,020	NOBLE	457,365
CRAWFORD	1,818,028	OTTAWA	1,557,909
CUYAHOGA	64,882,008	PAULDING	748,409
DARKE	2,018,495	PERRY	1,210,087
DEFIANCE	1,481,313	PICKAWAY	1,844,490
DELAWARE	2,977,713	PIKE	963,333
ERIE	3,156,267	PORTAGE	5,456,790
FAIRFIELD	4,251,059	PREBLE	1,522,387
FAYETTE	1,044,205	PUTNAM	1,270,524
FRANKLIN	41,243,139	RICHLAND	5,000,061
FULTON	1,535,316	ROSS	2,663,963
GALLIA	1,179,719	SANDUSKY	2,336,204
GEAUGA	3,854,557	SCIOTO	2,983,790
GREENE	5,345,041	SENECA	2,297,597
GUERNSEY	1,477,519	SHELBY	1,771,505
HAMILTON	48,045,267	STARK	14,848,277
HANCOCK	2,976,419	SUMMIT	21,348,284
HARDIN	1,153,991	TRUMBULL	8,627,144
HARRISON	683,254	TUSCARAWAS	3,240,718
HENRY	1,080,612	UNION	1,336,803
HIGHLAND	1,405,223	VAN WERT	1,136,320
HOCKING	997,583	VINTON	431,599
HOLMES	1,285,782	WARREN	4,759,383
HURON	2,190,577	WASHINGTON	2,356,637
JACKSON	1,189,116	WAYNE	4,189,572
JEFFERSON	2,941,344	WILLIAMS	1,458,738
KNOX	1,883,394	WOOD	4,932,585
LAKE	8,709,018	WYANDOT	848,762
LAWRENCE	2,325,015		
LICKING	4,993,421	**TOTAL**	**$455,470,323**

* Amounts shown are the actual distributions made to counties in CY 2004, including any statutory adjustments.

Local Government Funds - State & County

This chapter deals with two major programs that share state revenues with local governments: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF). These funds are both supported by six state-imposed taxes; however, the relative shares of these taxes are different (see **Revenue Sources**).

The LGF has existed since the inception of the state sales tax in 1935. The fund has undergone many changes in the last 70 years, but the basic elements of the program remain the same: a designated portion of state revenues are deposited into the LGF; a statutory formula is used to allocate the monies monthly to the county undivided LGF of the 88 counties; and the county budget commissions authorize and determine the distribution of the undivided fund monies to the subdivisions.

Since July 1989, the state LGRAF has also provided local subdivisions with shared state tax revenues. The LGRAF is approximately one-seventh the size of the LGF. The LGRAF is allocated to each of the 88 counties' undivided LGRAF according to each county's share of the total state population (see **Distribution Base**).

The accompanying tables show state and county undivided LGF and state and county undivided LGRAF statistics for calendar year 2004. The total state LGF was $672.3 million and the total state LGRAF was $94.6 million in calendar year 2004.

Revenue Sources (Ohio Revised Code 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03):

The state LGF is composed of 4.2 percent of five state taxes: sales and use, individual income, corporation franchise, and public utility excise. In addition, 2.646 percent of the kilowatt-hour tax is deposited into the LGF. The state LGRAF, which came into being July 1, 1989, is composed of 0.6 percent of the five taxes and 0.378 percent of the kilowatt-hour tax.

House Bill 94, 124th General Assembly, the Fiscal Year 2002-2003 biennium budget bill, temporarily replaced the permanent LGF and LGRAF funding mechanism described in the above paragraph. According to uncodified Section 140 of the bill, during each month of the July 2001 - May 2002 period and the July 2002 - May 2003 period, the funds received the same amount they received during the corresponding months of the July 2000 through May 2001 period. In addition, during June 2002 and June 2003, the funds received the same amount they received in June 2000.

The bill also temporarily set aside the distribution formulas described in **Distribution Base**. Between July 2001 and July 2003, counties and municipalities receiving a direct distribution from the LGF received the same amounts they received during the corresponding month of the July 2000 through June 2001 period, less any H.B. 405 and H.B. 40 adjustments. (The method for distributing monies from the county undivided LGF and LGRAF to the subdivisions is not affected by this law change.)

This freeze was continued with H.B. 95, 125th General Assembly, the FY 2004-2005 biennium budget bill. During each month of the July 2003 - June 2004 period and the July 2004 - June 2005 period, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received during the corresponding month of the July 2002 - June 2003 period. However, the May 2004 and May 2005 deposits were reduced by the June 2003 H.B. 405 adjustments ($25.3 million for LGF and $3.7 million for LGRAF); but these amounts were added back to the June 2004 and June 2005 deposits.

H.B. 66 of the 126th General Assembly, the FY 2006-2007 biennium budget bill, basically extended the temporary freeze that was included in H.B. 95. Each month, during the July 2005 - June 2006 period, the LGF and LGRAF will receive the same amount they received in such month during the July 2004 - June 2005 period. In addition, during the period of July 2006 - June 2007, the LLGSF will receive the same amounts it received in such month during the July 2005 - June 2006 period.

Determination of County and Municipal Portions (R.C. 5747.50):

Before state LGF revenues are distributed to local governments, the total amount in the fund is divided into county and municipal portions. This division of the state LGF is determined by statutory formula.

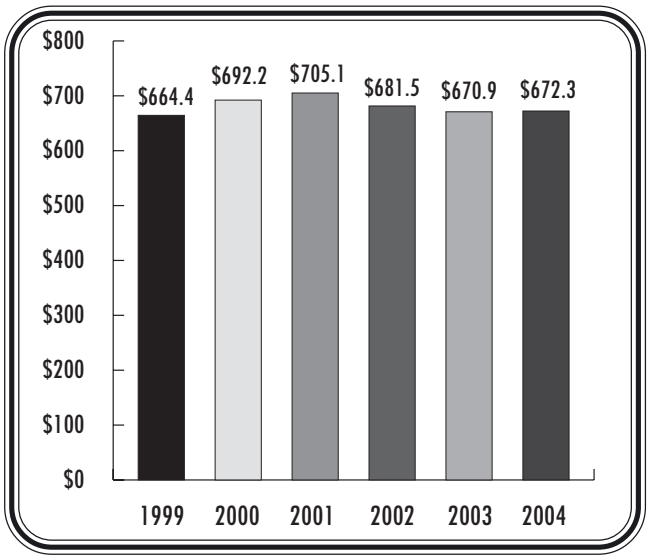
The total amount distributed to the county undivided LGF equals: (a) nine-tenths of the difference between the amount transferred to the state LGF and 145.45 percent of the 1983 deposits tax revenue; plus (b) 145.45 percent of the 1983 deposits tax revenue; less (c) $6.0 million. The remainder (one-tenth of the difference between the amount transferred and 145.45 percent of the 1983 deposits tax revenue plus $6.0 million) is distributed directly to municipalities. Unlike the state LGF, there is no direct distribution to municipalities from the state LGRAF. All monies in this fund are distributed to the county undivided LGRAF.

Distribution Base (R.C.5747.501, 5747.61):

Each year, each county's share of the LGF is determined as follows:

Formula 1: Each county receives 145.45 percent of the deposits tax it actually received from financial institutions in 1983. Nine-tenths of the remaining revenue in the fund (less $6.0 million) is distributed on the basis of the county's population at the last decennial census and the value of property within municipalities in the county for the second preceding year (25 percent is distributed based on population and 75 percent is distributed

Distributions from State Local Government Fund, Calendar Years 1999-2004



based on municipal property values). The minimum distribution from the population/valuation segment is $225,000. These two amounts are added together to determine the county's "Formula 1" amount.

Formula 2: Nine-tenths of the total state LGF (less $6.0 million) is distributed to the counties based on county population and county municipal property values (25 percent based on population and 75 percent based on property values). The minimum distribution is $225,000. This is the county's "Formula 2" amount.

The higher of these two formula allocations (called the "assigned amount') is taken for each county, and these amounts for the 88 counties are added together to get a statewide total. Each county's assigned amount is then computed as a percentage of the total of the 88 assigned amounts. Each county's percentage is its share of the county portion of the state LGF. These percentages are applied against the total amount in the fund to determine each county's distribution. However, regardless of the resulting amounts, each county is guaranteed at least the amount it actually received in 1983. In addition, each county undivided LGF receives five mills of the tax on dealers in intangibles attributed to that county.

Each county's share of the state LGRAF is determined each year based upon the county's population as a share of the total population for the state. The population figure used is the more recent of either the latest federal estimated census figures or the latest decennial census figures that include population totals as of June 1 of the preceding year.

Direct Distribution to Municipalities (R.C. 5747.50):

Each municipality levying an income tax in the preceding year is eligible to receive a share of the municipal portion of the state LGF. The share each receives equals its percentage of total municipal income taxes collected as compared to the amount collected statewide in the second preceding year.

Monthly Distribution Procedure (R.C. 5747.50, 5747.61):

Allocations from the state LGF to both municipal corporations and counties and from the state LGRAF to counties are made on or before the tenth of each month. Only the portion of the state LGF distributed to the counties is subject to possible further adjustments, to meet a minimum allocation per month of $25,000 and a minimum allocation per year equal to the amount actually received in calendar year 1983. The statutes authorize adjustments to be made in December to ensure each county the minimum allocation to which it is entitled for the entire calendar year. They also authorize monies to be withheld during December of the ensuing calendar year so that the total amount received by a county does not exceed the proportionate share to which it is entitled or its statutory minimum, whichever is greater.

Use of Funds Distributed to Municipalities and Counties (R.C. 5747.50-5747.53, 5747.61-5747.63):

All amounts received by a municipal corporation from the municipal portion of the state LGF are paid into the municipality's general fund to be used for any lawful purpose. However, the amount which a county receives from the state LGF is expressly designated for deposit into the county's undivided LGF, where it is combined with revenue from state-collected intangibles taxes (paid by dealers in intangibles) which are returned to the counties of origin.

The amount which a county receives from the state LGRAF is expressly designated for deposit into the county's undivided LGRAF. The county undivided LGF and county undivided LGRAF monies are disbursed to local governments to be used for current operating expenses of the county government, municipalities, townships, and certain special districts. The statutes provide for these fund distributions to be made according to percentage determinations previously arrived at by each county budget commission on the basis of revenue estimates supplied by the Department of Taxation. This is done according to specific statutory guidelines which are intended to yield a distribution that reflects the needs of the various recipient governmental units or according to alternative apportionment methods or formulas devised by the county budget commission. Alternative apportionment methods are authorized if approved by subdivisions within the county as required by statute.

H.B. 66 of the 126th General Assembly temporarily replaced the above distribution requirements. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY

2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents.

Revenues Distributed to Local Governments in 2004:

In 2004, approximately $672.3 million from the state LGF and $94.6 million from the state LGRAF was distributed to local governments. An additional $10.4 million was distributed to the county undivided LGF from the tax on dealers in intangibles. Table 1 shows the amounts distributed from the state LGF to counties and municipalities in 2004. Table 2 shows the amounts distributed from the state LGRAF to counties in 2004.

Recent Legislation

H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005). Section 557.12:
The bill continued the freeze on deposits and distributions from the LGF and LGRAF through FY 2006 and FY 2007. Amounts deposited into the funds from July 2005 through June 2006 are to equal the deposits into the funds made during the period of July 2004 through June 2005. In addition, amounts deposited into the funds during the period of July 2006 through June 2007 are equal to the deposits made during the July 2005 through June 2006 period. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY 2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents.

In addition, the bill provided for a "reconciliation" mechanism. In June 2006 and June 2007, the Tax Commissioner is to compare the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compare them to the amounts that would have been distributed under permanent law. If the amounts distributed under the H.B. 66 freeze exceed the amounts that would have been distributed under permanent law, then an amount shall be subtracted from the income tax revenue credited to the LGF and LGRAF to make up that difference.

Table 1
Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1996 - 2004

Calendar Year	Local Government Fund		Dealers in Intangibles Tax		Total LGF and Intangibles Tax Combined	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
1996	$543,853,000	3.17%	$9,593,486	0.41%	$553,446,486	3.12%
1997	579,850,588	6.62	11,021,316	14.88	590,871,904	6.76
1998	632,501,558	9.08	9,983,867	-9.41	642,485,425	8.74
1999	664,772,737	5.10	10,697,411	7.15	675,470,148	5.13
2000	692,233,886	4.13	13,901,032	29.95	706,134,918	4.54
2001	705,421,757	1.90	15,905,620	14.42	721,327,377	2.15
2002	670,658,730	-4.93	11,229,780	-29.40	681,888,510	-5.47
2003	661,828,265	-1.32	9,097,256	-18.99	670,925,521	-1.61
2004	661,828,265	0.00	10,448,586	14.85	672,276,851	0.20

Table 2
Local Government
Revenue Assistance Fund Distributions,
Calendar Years 1996 - 2004

Calendar Year	Amount	Change
1996	$77,784,374	6.15%
1997	82,876,465	7.05
1998	90,398,292	9.08
1999	95,014,290	5.11
2000	98,953,115	4.15
2001	100,780,133	1.80
2002	95,808,389	-4.93
2003	94,597,556	-1.26
2004	94,597,556	0.00

Table 3
Local Government Fund - Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2004

County	To County Undivided Local Government Fund	To Municipalities	Total
ADAMS	$647,350	$844	$648,195
ALLEN	4,438,576	316,336	4,754,911
ASHLAND	2,044,219	164,958	2,209,177
ASHTABULA	3,835,066	233,709	4,068,775
ATHENS	1,876,249	141,539	2,017,788
AUGLAIZE	2,297,115	175,651	2,472,766
BELMONT	2,725,071	23,507	2,748,578
BROWN	966,024	16,495	982,519
BUTLER	14,130,055	1,118,426	15,248,481
CARROLL	688,318	15,354	703,672
CHAMPAIGN	1,362,040	86,546	1,448,586
CLARK	5,441,446	519,405	5,960,851
CLERMONT	3,637,579	53,297	3,690,876
CLINTON	1,549,049	61,950	1,610,998
COLUMBIANA	3,523,825	193,414	3,717,239
COSHOCTON	1,375,146	58,120	1,433,267
CRAWFORD	2,060,416	136,931	2,197,347
CUYAHOGA	116,842,872	13,046,966	129,889,838
DARKE	2,326,076	103,002	2,429,078
DEFIANCE	1,766,464	112,762	1,879,227
DELAWARE	4,847,368	213,788	5,061,155
ERIE	3,723,529	175,552	3,899,080
FAIRFIELD	4,789,691	259,641	5,049,332
FAYETTE	1,107,566	64,018	1,171,584
FRANKLIN	79,884,366	10,306,093	90,190,459
FULTON	1,970,466	158,097	2,128,563
GALLIA	856,619	28,799	885,418
GEAUGA	2,443,623	109,252	2,552,875
GREENE	8,262,889	273,449	8,536,338
GUERNSEY	1,409,309	61,091	1,470,400
HAMILTON	54,393,565	6,766,395	61,159,960
HANCOCK	3,998,682	244,804	4,243,486
HARDIN	1,150,174	62,370	1,212,543
HARRISON	521,619	14,575	536,194
HENRY	1,200,401	58,979	1,259,380
HIGHLAND	1,272,146	70,026	1,342,172
HOCKING	775,961	39,934	815,895
HOLMES	798,246	14,272	812,517
HURON	2,652,590	253,574	2,906,164
JACKSON	1,078,704	0	1,078,704
JEFFERSON	3,914,829	210,804	4,125,633
KNOX	1,877,274	125,122	2,002,396
LAKE	17,959,451	1,317,670	19,277,121
LAWRENCE	1,775,854	39,585	1,815,440
LICKING	6,603,580	359,234	6,962,813
LOGAN	1,727,358	118,108	1,845,466
LORAIN	16,590,868	1,119,707	17,710,574
LUCAS	$25,186,401	$3,525,339	$28,711,741
MADISON	1,335,793	77,569	1,413,362
MAHONING	9,756,482	743,169	10,499,651
MARION	2,559,502	199,064	2,758,567
MEDINA	6,815,910	319,335	7,135,245
MEIGS	556,717	10,025	566,742
MERCER	1,831,138	70,369	1,901,507
MIAMI	5,171,320	423,763	5,595,083
MONROE	357,109	5,795	362,904
MONTGOMERY	32,219,864	3,979,228	36,199,092
MORGAN	366,797	9,372	376,169
MORROW	628,925	20,905	649,830
MUSKINGUM	2,878,241	217,015	3,095,256
NOBLE	327,953	0	327,953
OTTAWA	1,603,323	63,253	1,666,576
PAULDING	620,113	1,947	622,060
PERRY	802,117	18,984	821,101
PICKAWAY	1,707,811	84,704	1,792,515
PIKE	703,159	17,312	720,471
PORTAGE	6,034,635	467,754	6,502,389
PREBLE	1,403,436	71,513	1,474,949
PUTNAM	1,401,571	59,734	1,461,305
RICHLAND	6,082,562	554,084	6,636,645
ROSS	2,709,041	165,126	2,874,167
SANDUSKY	2,824,029	177,216	3,001,244
SCIOTO	2,300,053	115,721	2,415,774
SENECA	2,685,940	217,014	2,902,954
SHELBY	2,403,147	227,148	2,630,295
STARK	15,342,897	1,308,921	16,651,818
SUMMIT	35,866,245	3,487,518	39,353,762
TRUMBULL	8,744,164	533,553	9,277,718
TUSCARAWAS	4,298,355	207,054	4,505,409
UNION	1,457,844	79,799	1,537,643
VAN WERT	1,278,979	89,103	1,368,082
VINTON	290,736	428,595	719,331
WARREN	6,895,456	0	6,895,456
WASHINGTON	2,213,157	136,234	2,349,391
WAYNE	4,839,893	269,834	5,109,727
WILLIAMS	1,938,071	150,470	2,088,541
WOOD	5,574,454	484,595	6,059,048
WYANDOT	1,022,941	58,601	1,081,542
TOTAL	**$614,155,965**	**$58,120,885**	**$672,276,850**

Table 4
Local Government Revenue Assistance Fund - Amounts Distributed to Counties, by County, Calendar Year 2004

County	To County Undivided Local Government Revenue Assistance Fund	County	To County Undivided Local Government Revenue Assistance Fund
ADAMS	$241,201	LOGAN	$391,990
ALLEN	900,720	LORAIN	2,374,939
ASHLAND	438,431	LUCAS	3,765,688
ASHTABULA	869,817	MADISON	348,863
ATHENS	518,175	MAHONING	2,135,284
AUGLAIZE	396,839	MARION	555,679
BELMONT	592,668	MEDINA	1,228,543
BROWN	347,295	MEIGS	202,117
BUTLER	2,796,776	MERCER	345,914
CARROLL	245,875	MIAMI	829,067
CHAMPAIGN	323,358	MONROE	129,759
CLARK	1,221,627	MONTGOMERY	4,737,850
CLERMONT	1,495,101	MORGAN	122,312
CLINTON	340,133	MORROW	268,264
COLUMBIANA	937,708	MUSKINGUM	712,781
COSHOCTON	304,464	NOBLE	116,146
CRAWFORD	396,454	OTTAWA	346,481
CUYAHOGA	11,578,401	PAULDING	168,995
DARKE	455,517	PERRY	288,516
DEFIANCE	334,387	PICKAWAY	450,829
DELAWARE	833,142	PIKE	234,872
ERIE	657,052	PORTAGE	1,274,786
FAIRFIELD	1,057,358	PREBLE	365,105
FAYETTE	239,393	PUTNAM	296,540
FRANKLIN	8,629,478	RICHLAND	1,083,226
FULTON	354,203	ROSS	636,626
GALLIA	280,489	SANDUSKY	521,731
GEAUGA	751,453	SCIOTO	676,433
GREENE	1,246,777	SENECA	504,282
GUERNSEY	344,901	SHELBY	401,943
HAMILTON	7,099,061	STARK	3,141,233
HANCOCK	582,575	SUMMIT	4,527,335
HARDIN	266,705	TRUMBULL	1,896,001
HARRISON	135,374	TUSCARAWAS	746,737
HENRY	251,634	UNION	338,829
HIGHLAND	343,399	VAN WERT	253,693
HOCKING	244,985	VINTON	103,360
HOLMES	320,805	WARREN	1,265,349
HURON	508,649	WASHINGTON	531,917
JACKSON	274,603	WAYNE	931,617
JEFFERSON	623,197	WILLIAMS	318,679
KNOX	451,712	WOOD	1,009,896
LAKE	1,900,513	WYANDOT	192,625
LAWRENCE	541,946	**TOTAL**	**$94,597,556**
LICKING	1,150,376		

Motor Vehicle Fuel Tax

An excise tax is imposed on all dealers in motor vehicle fuel upon the use, distribution, or sale within the State of Ohio of fuel used in generating power for the operation of motor vehicles. The motor fuel excise tax rate in Fiscal Year 2005 was 26 cents per gallon. The rate increased to 28 cents per gallon in FY 2006 as of July 1, 2005.

The total 28 cents per gallon rate is actually composed of five separate levies: two levies of two cents each; one levy of eight cents (increased in FY 2006 from six cents); one levy of one cent; and a cents per gallon rate of 15 cents. The motor fuel excise tax rate in FY 2005 of 26 cents per gallon represented a two-cent increase from FY 2004. Effective July 1, 2004, a four-cent levy was increased to six cents per gallon, which raised the total rate in FY 2005 to 26 cents. This same levy increased to eight cents per gallon in FY 2006. This brought the total motor fuel excise tax rate to 28 cents per gallon effective July 1, 2005.

After amounts are set aside for refunds and highway bond retirement, 0.875 percent of revenue from the tax is allocated to the Waterways Safety Fund, 0.125 percent to the Wildlife Boater Angler Fund, and an amount equal to collections from one cent of the cents per gallon rate is set aside for the Local Transportation Improvement Program Fund. Also, an amount totaling $100,000 is transferred each month to the Grade Crossing Fund and 0.275 percent of revenue is allocated to the Motor Fuel Tax Administrative Fund.

The remaining fuel tax receipts are distributed in approximately the following proportions: 70.2 percent to the state, 12.7 percent to municipalities, 11.1 percent to counties and 6.0 percent to townships. All of this money is earmarked for highway-related purposes in accordance with Article XII, Section 5a of the Ohio Constitution. There are also two other provisions in Ohio law concerning the taxation of motor fuel and distribution of tax receipts. A portion of the motor fuel tax collected on fuel sold at stations on the Ohio Turnpike is returned to the Ohio Turnpike Commission for turnpike projects.

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 consumed in Ohio. The use tax rate in FY 2005 was 28 cents per gallon. The rate remained at 28 cents per gallon in FY 2006.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In FY 2005, the reported net motor fuel tax collections totaled $1,712.8 million, after refunds.

Taxpayer (Ohio Revised Code 5735.01):

Dealers who import 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 who possess an unrevoked permissive motor fuel dealer's license.

Tax Base (R.C. 5735.06):

Gallons of motor vehicle fuel sold, used, or distributed in Ohio.

Rates:

R.C. Section	Tax Rate Per Gallon Effective July 1, 2004	Tax Rate Per Gallon Effective July 1, 2005
5735.30	1.0 cent	1.0 cents
5735.05	2.0 cents	2.0 cents
5735.25	2.0 cents	2.0 cents
5735.29	6.0 cents	8.0 cents
5735.05*	15.0 cents	15.0 cents
Total Rate Per Gallon	**26.0 cents**	**28.0 cents**

* Cents per gallon rate.

Deductions, Refunds, and Credits:

1. Dealers may claim the following deductions from their reported gallonage (see R.C. 5735.05 and 5735.06):

(a) For motor fuel other than gasoline and clear diesel fuel sold for use other than operating motor vehicles on public highways or on waters within Ohio;

(b) Sales of motor fuel by licensed wholesale dealers to other licensed wholesale dealers;

(c) Export of motor fuel to other states or foreign countries;

(d) Sales of motor fuel for exclusive use of the U.S. government or its agencies;

(e) Sales of motor fuel that is in the process of transportation in either interstate or foreign commerce;

(f) Sales of motor fuel to be used exclusively for the propulsion of aircraft;

(g) Three percent of net taxable gallons of motor fuel to cover the costs of compiling reports, evaporation, shrinkage, and other losses. This deduction is only 2.0 percent on motor fuel sold to a retailer. The retailer is entitled to 1.0 percent. Effective July 1, 2005 the percentage is reduced to 2.5 percent. This deduction is only 1.67 percent on motor fuel sold to a retailer. The retailer is entitled to 0.83 percent; and

(h) Sales of motor fuel for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

2. Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund under the

following conditions (see R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18, 5734.29):

(a) Motor fuel used in the following ways: to operate or propel stationary gas engines; tractors used for off-highway purposes; unlicensed motor vehicles used exclusively in intra-plant operations;

(b) Motor fuel used by watercraft in the following ways: vessels used entirely for commercial purposes such as trade or fishing; vessels used in Boy Scout training; vessels used or owned by railroad car ferry companies; vessels used or owned by federal, state, and local governments;

(c) Motor fuel used for cleaning or dyeing;

(d) Motor fuel used by local transit systems, except for the one-cent bond retirement levy;

(e) Motor fuel used in aircraft;

(f) One percent of the motor fuel tax paid on fuel purchased by retailers to cover losses from shrinkage and evaporation;

(g) Motor fuel lost or destroyed through theft, fire, explosion, lightning, and other natural disasters;

(h) Any person, other than a dealer, who sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies; and

(I) A city, exempted village, joint vocational, or local school district, or educational service center, effective July 1, 2004, may be reimbursed four cents per gallon of the total Ohio motor fuel tax paid on the fuel. Effective July 1, 2005, the rate increased to six cents per gallon.

Special Provisions

Fuel Use Tax (R.C. 5735.31):

1. The Ohio motor vehicle fuel use tax is imposed on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio for any vehicle that had been subject to the highway use tax. The use tax rate was 28 cents in FY 2005. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that state imposes a tax on such fuel and allows a similar credit or refund.
2. An additional three cents per gallon fuel use surtax became effective January 1, 1991. This additional tax was enacted to partially replace the revenue lost due to the repeal of the highway use tax effective January 1, 1991, as part of Ohio's entry into the International Registration Plan for commercial vehicles. The surtax was decreased to two cents on July 1, 2004 and eliminated as of July 1, 2005.
3. In FY 2005, $70.5 million was collected from the fuel use tax and was distributed to the Highway Operating Fund.

Filing and Payment Dates (R.C. 5735.06):

By the last day of each month for the preceding month's tax liability; filed with the Department of Taxation.

Disposition of Revenue:

The motor vehicle fuel tax is composed of five separate levies. Each of these levies is distributed in a different manner. After refunds, the following transfers of receipts are made:

1. Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
2. Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
3. The amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement.
4. An amount equal to five cents times the number of gallons sold at stations operated by the Ohio Turnpike Commission to the commission for turnpike projects (paid from the cents per gallon tax) (R.C. 5735.23).
5. The Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder was distributed in FY 2005 as follows:

1. 2.0 cents per gallon (R.C. 5735.05, 5735.23):
- 2/17 of $100,000 transferred monthly to the Grade Crossing Fund with the remainder distributed as follows:
- 30 percent to municipal corporations in proportion to their motor vehicle registrations;*
- 25 percent to all counties in equal amounts;*
- 45 percent to the state.

2. 2.0 cents per gallon (R.C. 5735.25, 5735.26, 5735.27):
- 67.5 percent to the state;
- 7.5 percent to all counties in equal amounts;*
- 17.5 percent to all townships in equal amounts;*
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.*

3. 6.0 cents per gallon (R.C. 5735.29, 5735.291):
(**Note:** this levy increased to 8.0 cents per gallon effective July 1, 2005).
- 87.5 percent to the state for highway bond retirement funds, as long as required; thereafter, 83.3 percent to the State Highway Operating Fund. After the above distribution is made, the remaining 16.7 percent is distributed to the Gasoline Excise Tax Fund. Of 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.

4. 1.0 cent per gallon (R.C. 5735.30):
- 100 percent to the state for highway bond retirement funds, as long as required; thereafter, 100 percent to the State Highway Operating Fund.

5. Cents per gallon tax, 15 cents per gallon (R.C. 5735.05, 5735.23):
- Collections from 1.0 cent of the cents per gallon tax are transferred to the Local Transportation Improvement Program Fund and 15/17 of $100,000 is transferred monthly to the Grade Crossing Fund, with the balance distributed as follows:
- 75.0 percent to the state;

- 10.7 percent to municipalities in proportion to their motor vehicle registrations;^
- 9.3 percent to all counties in equal amounts; ^
- 5.0 percent to all townships in equal amounts.^

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

^ Proceeds are deposited by the state in the Local Government Highway Distribution Fund and distributed monthly to counties, townships and municipalities.

Administration:

The motor vehicle fuel excise tax and the motor fuel use tax are administered by the Tax Commissioner.

Ohio Revised Code Citations:

Chapters 5728 and 5735.

Recent Legislation

Amended House Bill 95, 125th General Assembly (effective July 1, 2003).
R.C. 5728.04, 5728.06, 5728.99, 5735.05, 5735.14, 5735.142, 5735.15, 5735.19, 5735.23, 5735.26, 5735.291, 5735.30, and 5735.99:

- Increased the penalty for operating a truck on a suspended fuel use tax permit from a fourth degree misdemeanor to a first degree misdemeanor.
- Created the Motor Fuel Tax Administrative Fund and transfers 0.275 percent of the motor fuel tax revenue to the fund.
- Provided for a refund of 95 percent of the tax paid on water that is intentionally added to diesel fuel.
- Amended the school district refund provision created in Am. Substitute H.B. 87 to include joint vocational schools and educational service centers. Fuel that qualifies for the refund was amended to be all fuel purchased and not sold that is used for school purposes.

Am. Sub. H.B. 87, 125th General Assembly (effective July 1, 2003, Transportation Biennial Budget Bill).
R.C. 5728.06, 5735.142, 5735.23, 5735.27, 5735.29, 5735.291, and 5735.292:

- Increased the motor fuel tax from 22 cents to 24 cents per gallon effective July 1, 2003; and to 26 cents per gallon effective July 1, 2004. It also increased the tax rate to 28 cents per gallon on July 1, 2005.
- Decreased the motor fuel use tax surcharge from three cents to two cents per gallon effective July 1, 2004. It also eliminated the surcharge July 1, 2005.
- Provided for a refund to city, exempted village, and local school districts of all but two cents of the tax levied by R.C. 5735.29 on all fuel purchased and used in their vehicles to transport pupils.
- Set a schedule of funds to be transferred from the Ohio Department of Transportation for distribution to municipalities, townships and counties that previously was earmarked for the Ohio Highway Patrol.
- Established a new distribution formula for the tax and the funds transferred from the Department of Transportation effective August 15, 2003, 2004 and 2005.

Sub. Senate Bill 200, 124th General Assembly (effective September 6, 2002). R.C. 5728, 5734.14, 5735.18, 5735.31, 5735.311:

- The levy of the motor fuel use tax was previously contained in Chapter 5735 and administered by reference to Chapter 5728 that contained the repealed highway use tax. This law moved the fuel use tax provisions from Chapter 5735 to Chapter 5728 and replaced all references to the repealed highway use tax with motor fuel use tax.
- Broadened the Tax Commissioner's powers to share fuel use tax information with other jurisdictions for the purpose of enforcing the International Fuel Tax Agreement.
- Extended the exemption from the fuel use tax to other states and their political subdivisions if they extend a similar exemption to Ohio government vehicles.
- Changed the motor fuel refund provisions to eliminate the mere sale of fuel to a non-dealer as a basis for refund.
- Provided for a refund directly to the U.S. government for its purchase of tax-paid fuel.

Recent Information Releases:

XT 2005-08 – "Motor Fuel Shrinkage Allowance Reduction," June 28, 2005.
XT 2005-07 – "Surcharge Reduction for IFTA Accounts," June 30, 2005.
XT 2005-06 – "Surcharge Reduction for FUT Accounts," June 30, 2005.
XT 2005-02 – "Motor Fuel Tax Increase," June 3, 2005.
XT 2005-01 – "Proper Reporting of Bio-Diesel Fuel," May 16, 2005.
XT 2004-03 – "Motor Fuel Refund Claims," August 6, 2004.

Table 1
Distributions of Motor Fuel Tax, Fiscal Year 2005

Distribution	Dollar Amount	Percentage
Highway Operating Fund	$1,188,948,771	71.31%
Local Transportation Improvement Program Fund	64,189,858	3.85
Highway Bond Retirement	0	0.00
To Municipalities	169,702,864	10.18
To Counties	147,304,965	8.84
To Townships	79,251,957	4.75
Other*	17,919,153	1.07
Total	**$1,667,317,568**	**100.00%**

* Includes Grade Crossing Fund, Waterway Safety Fund, Wildlife Boater Angler Fund, Ohio Turnpike Commission, and Administrative Fee.

Source: This table is based on amounts reported in the June 2004 Office of Budget and Management monthly revenue report (RRVSM015), modified to reflect various fund transfers and the allocation of the Gasoline Excise Tax Fund and the State and Local Government Highway Distribution Fund among categories of local governments.

Table 2
Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2001 - 2005

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2001	$1,431,047,864	$18,469,543	$1,412,578,321
2002	1,431,155,848	20,966,674	1,410,189,174
2003	1,449,431,940	17,672,693	1,431,759,247
2004	1,603,919,014	18,417,032	1,585,501,982
2005	1,737,763,542	24,922,805	1,712,840,737

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

Table 3
Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2001 - 2005

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Gasoline	5,037,369,959	5,095,295,036	5,130,381,553	5,197,093,204	5,149,443,769
Special Fuels*	1,468,433,330	1,416,257,268	1,466,855,681	1,482,899,139	1,535,755,695
Total	**6,505,803,289**	**6,511,552,304**	**6,597,237,234**	**6,689,992,343**	**6,685,199,464**

* Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

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

Table 4
Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments, by County, Calendar Year 2004

		Amount Distributed To:					Amount Distributed To:		
County	Total	County	Townships	Municipalities	County	Total	County	Townships	Municipalities
ADAMS	$3,141,127	$1,867,716	$1,021,383	$252,028	LOGAN	$3,681,411	$1,867,716	$1,160,586	$653,109
ALLEN	4,262,431	1,867,716	871,678	1,523,038	LORAIN	8,869,920	1,867,716	1,235,487	5,766,717
ASHLAND	3,627,754	1,867,716	1,021,383	738,655	LUCAS	11,619,181	1,867,716	855,950	8,895,515
ASHTABULA	5,153,954	1,867,716	1,842,964	1,443,274	MADISON	3,390,646	1,867,716	953,291	569,639
ATHENS	3,334,518	1,867,716	961,728	505,074	MAHONING	5,893,913	1,867,716	1,148,924	2,877,274
AUGLAIZE	3,633,780	1,867,716	953,291	812,773	MARION	4,029,359	1,867,716	1,021,383	1,140,260
BELMONT	3,896,756	1,867,716	1,104,426	924,614	MEDINA	5,414,155	1,867,716	1,175,629	2,370,810
BROWN	3,407,730	1,867,716	1,091,801	448,213	MEIGS	2,874,999	1,867,716	817,107	190,176
BUTLER	7,619,614	1,867,716	1,110,042	4,641,855	MERCER	3,457,614	1,867,716	953,291	636,607
CARROLL	3,009,478	1,867,716	958,745	183,017	MIAMI	4,662,045	1,867,716	823,694	1,970,636
CHAMPAIGN	3,199,637	1,867,716	817,107	514,815	MONROE	3,222,664	1,867,716	1,225,660	129,288
CLARK	4,336,697	1,867,716	751,385	1,717,596	MONTGOMERY	13,596,372	1,867,716	766,738	10,961,919
CLERMONT	3,689,176	1,867,716	1,169,322	652,138	MORGAN	2,920,406	1,867,716	953,291	99,399
CLINTON	3,467,750	1,867,716	885,199	714,835	MORROW	3,173,445	1,867,716	1,089,476	216,253
COLUMBIANA	4,490,187	1,867,716	1,262,636	1,359,835	MUSKINGUM	4,515,404	1,867,716	1,721,013	926,675
COSHOCTON	3,839,992	1,867,716	1,498,029	474,247	NOBLE	2,979,899	1,867,716	1,021,383	90,800
CRAWFORD	3,806,629	1,867,716	1,089,476	849,438	OTTAWA	3,226,167	1,867,716	817,107	541,344
CUYAHOGA	31,591,310	1,867,716	138,595	29,584,999	PAULDING	2,942,249	1,867,716	817,107	257,427
DARKE	4,027,794	1,867,716	1,366,583	793,495	PERRY	3,192,428	1,867,716	953,291	371,421
DEFIANCE	3,297,477	1,867,716	817,107	612,655	PICKAWAY	3,517,811	1,867,716	1,021,383	628,712
DELAWARE	4,403,762	1,867,716	1,289,685	1,246,362	PIKE	3,014,392	1,867,716	953,291	193,385
ERIE	3,915,811	1,867,716	628,528	1,419,568	PORTAGE	4,999,006	1,867,716	1,248,161	1,883,129
FAIRFIELD	4,441,586	1,867,716	955,845	1,618,025	PREBLE	3,316,429	1,867,716	817,107	631,606
FAYETTE	2,979,132	1,867,716	680,922	430,494	PUTNAM	3,390,380	1,867,716	1,021,383	501,281
FRANKLIN	29,666,792	1,867,716	1,209,795	26,589,280	RICHLAND	5,384,384	1,867,716	1,254,120	2,262,548
FULTON	3,324,138	1,867,716	823,724	632,698	ROSS	3,767,709	1,867,716	1,104,176	795,817
GALLIA	3,066,040	1,867,716	1,023,164	175,160	SANDUSKY	3,559,450	1,867,716	822,113	869,621
GEAUGA	3,455,102	1,867,716	1,156,057	431,329	SCIOTO	3,619,381	1,867,716	1,106,551	645,114
GREENE	5,693,626	1,867,716	822,727	3,003,183	SENECA	3,887,028	1,867,716	1,021,383	997,929
GUERNSEY	3,614,978	1,867,716	1,294,784	452,478	SHELBY	3,689,741	1,867,716	953,291	868,734
HAMILTON	15,591,327	1,867,716	1,251,668	12,471,944	STARK	7,878,501	1,867,716	1,576,043	4,434,742
HANCOCK	4,433,382	1,867,716	1,159,225	1,406,441	SUMMIT	13,977,127	1,867,716	783,680	11,325,731
HARDIN	3,343,404	1,867,716	1,021,383	454,305	TRUMBULL	6,451,839	1,867,716	1,735,341	2,848,782
HARRISON	3,101,014	1,867,716	1,021,383	211,915	TUSCARAWAS	5,001,038	1,867,716	1,501,928	1,631,395
HENRY	3,206,409	1,867,716	885,199	453,494	UNION	3,397,008	1,867,716	953,291	576,001
HIGHLAND	3,448,668	1,867,716	1,160,674	420,278	VAN WERT	3,113,017	1,867,716	817,107	428,194
HOCKING	2,850,476	1,867,716	753,391	229,369	VINTON	2,797,638	1,867,716	817,107	112,815
HOLMES	2,976,527	1,867,716	953,291	155,520	WARREN	5,217,243	1,867,716	834,827	2,514,700
HURON	4,205,511	1,867,716	1,293,752	1,044,043	WASHINGTON	4,098,621	1,867,716	1,505,338	725,567
JACKSON	3,080,474	1,867,716	817,107	395,652	WAYNE	4,577,496	1,867,716	1,099,798	1,609,982
JEFFERSON	3,918,564	1,867,716	963,603	1,087,245	WILLIAMS	3,306,420	1,867,716	817,107	621,598
KNOX	3,951,939	1,867,716	1,503,161	581,062	WOOD	5,176,934	1,867,716	1,331,924	1,977,293
LAKE	7,022,885	1,867,716	403,433	4,751,737	WYANDOT	3,150,218	1,867,716	885,199	397,303
LAWRENCE	3,417,903	1,867,716	968,209	581,978					
LICKING	6,135,367	1,867,716	1,719,049	2,548,602	**TOTAL**	**$446,029,699**	**$164,358,997**	**$91,984,696**	**$189,686,006**

Municipal Income Tax For Electric Light Companies & Telephone Companies

The Ohio municipal income tax for electric light companies and local exchange telephone companies (Ohio Revised Code Chapter 5745) was enacted in 2000 by Substitute House Bill 483, 123rd General Assembly and took effect on January 1, 2002. The term "electric light company" includes "electric companies" and certain electing marketers and brokers of electricity. The statute refers to a marketer or broker of electricity as "an electric light company that is not an electric company."

Electric light companies and local exchange telephone companies are subject to the Chapter 5745 municipal income tax for any Ohio municipality which has enacted a municipal income tax and in which the company has property, payroll, or sales during the taxable year. An electric company was first subject to the Chapter 5745 municipal income tax reporting and payment requirements for the electric company's taxable year that included January 1, 2002. For taxable years prior to the taxable year that included January 1, 2002, electric companies were exempt from municipal income tax.

The tax generated $30.9 million in revenue in calendar year 2004. Tax returns for calendar year 2005 will be reported in April 2006.

A local exchange telephone company is first subject to taxation under Chapter 5745 for its taxable year that begins on or after January 1, 2004. A local exchange telephone company with a taxable year ending in 2004 shall compute the tax imposed under this chapter, or shall compute its net operating loss carried forward for that taxable year, by multiplying the tax owed, or the loss for the taxable year, by 50 percent.

An "electric light company that is not an electric company" could elect to be a Chapter 5745 taxpayer for its taxable year that included December 31, 2002 (see Section 7 of Senate Bill 287, 123rd General Assembly). Unlike an "electric company," an "electric light company that is not an electric company" was not exempt from municipal income tax for taxable years prior to the taxable year that included December 31, 2002.

A municipality that has enacted an income tax may not require a Chapter 5745 municipal income taxpayer to file a municipal income tax return for that municipality. However, to the extent necessary for a municipality to compute a taxpayer's property, payroll, and sales factors for that municipality, the municipality may require the taxpayer to report to the municipality the value of the taxpayer's real and tangible personal property situated in the municipality, the taxpayer's compensation paid to its employees in the municipality, and the taxpayer's sales made in the municipality (see R.C. 5745.03(E)).

Taxpayer (R.C. 5745):

The term "taxpayer" means an entity that is subject to the Chapter 5745 municipal income tax. Taxpayers include:

- **Electric company.** A person is an electric company when engaged in the business of generating, transmitting, or distributing electricity within Ohio for use by others; a rural electric company is excluded (see R.C. 5727.01(D)(3);
- **Combined company.** A person is a combined company when engaged in the activity of an electric company or rural electric company, and is also engaged in the activity of a heating company or a natural gas company, or any combination thereof (see 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** for taxable years beginning after January 1, 2004.

Tax Base (R.C. 5745):

The "starting point" for Chapter 5745 municipal income taxpayers is federal taxable income after certain adjustments (see next section). In determining the Chapter 5745 municipal income tax, the municipal income taxpayer's adjusted federal taxable income is first multiplied by the taxpayer's Ohio apportionment ratio to determine Ohio income. Then, Ohio income is multiplied by the taxpayer's municipal apportionment ratio and tax rate for each Ohio municipality which has enacted a municipal income tax, and in which the taxpayer has taxable nexus.

A municipal income taxpayer's taxable year for Chapter 5745 municipal income tax purposes is the same as the municipal income taxpayer's taxable year for federal income tax purposes, regardless of when during the taxable

Table
Revenue from Municipal Income Tax for Electric Light Companies and Telephone Companies, Calendar Years 2002 - 2004 (in millions)

Calendar Year	Total
2002	$12.3(1)
2003	15.4(2)
2004	30.9(3)

(1) Includes $0.6 million distributed to the Municipal Income Tax Administration Fund.
(2) Includes $0.5 million distributed to the Municipal Income Tax Administration Fund.
(3) Includes revenue from telephone companies. Also includes $0.2 million distributed to the Municipal Income Tax Administration Fund.

year the taxpayer first entered Ohio 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:

1. **Internal Revenue Code (I.R.C.) section 168(k) and I.R.C. section 179 bonus depreciation adjustment.** Compute federal depreciation expense as it would have been computed without enactment of I.R.C. section 168(k), and amended I.R.C. section 179, and add to federal taxable income the difference between the depreciation actually deducted on the federal income tax return and the depreciation as it would have been computed prior to the enactment of I.R.C. section 168(k) and amended I.R.C. section 179.
2. **Net intangible income (R.C. 5745.01(G)(1) and (G)(2)).** Deduct the taxpayer's intangible income as defined in R.C. 718.01, less expenses incurred in the production of such intangible income to the extent that the income and expenses are used in determining federal taxable income.
3. **Book-tax difference (R.C. 5745.01(G)(3)).** Add or subtract the net book-tax difference on "qualifying assets" — defined by R.C. 5733.05.10(3) as any asset on the taxpayer's books as of December 31, 2000 — sold or disposed of in taxable transactions during the taxable year. If the net book-tax difference is a positive amount (that is, the assets' net book value on December 31, 2000 is greater than the assets' adjusted basis on that date), enter it in parentheses and deduct it from federal taxable income. If the net book-tax difference is a negative amount (that is, the assets' net book value on December 31, 2000 is less than the assets' adjusted basis on that date), enter it as a positive amount and add it to federal taxable income.
4. **Book-tax difference adjustment (R.C. 5745.01(G)(5)).** Beginning in the taxable year ending in 2009, local exchange telephone companies will be eligible for a tax-year book-tax difference adjustment. This adjustment equals one-tenth of the book-tax difference which is the difference, if any, between a qualifying telephone company asset's net book value shown on the qualifying telephone company taxpayer's books and records on December 31, 2003, in accordance with Generally Accepted Accounting Principles (GAAP), and such asset's adjusted basis on December 31, 2003. The book-tax difference may be a negative number. R.C. 5733.0511(A) defines "qualifying telephone company" and "qualifying telephone company asset."

Ohio Apportionment Ratio (R.C. 5745.02):
The Chapter 5745 municipal income tax Ohio apportionment ratio is similar to the Chapter 5733 Ohio corporation franchise tax apportionment ratio.

Municipal Apportionment Ratio (R.C. 5745.02(C)):
For purposes of determining the taxpayer's apportionment ratio for each municipality, the Chapter 5745 municipal income taxpayer's payroll, sales and property 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 during the taxable year in the municipality by the taxpayer's employees for services performed for the taxpayer, and that is subject to income tax withholding by the municipality. In addition, for purposes of the municipal income tax sales factor, sales of electricity directly to the consumer are considered sales of tangible personal property and are thus sitused to the municipality where the electricity is used.

Rates (R.C. 5745.03(F)):

In determining the tax payable to each municipality for the taxpayer's taxable year, the taxpayer must use the certified tax rate in effect for that municipality on the first day of January of the taxpayer's taxable year. If a taxpayer's taxable year is for a period of less than 12 months and that taxable year does not include the first day of January, the tax rate used is the tax rate in effect in a municipality on the first day of January 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 paid the Chapter 5745 municipal income tax for Chapter 5745 taxpayers, then the taxpayer may claim as a credit against the taxpayer's own Chapter 5745 municipal income tax, for a particular municipality, the taxpayer's proportionate share of the tax paid by the pass-through entity to that same municipality. The credit equals the qualifying taxpayer's proportionate share of the lesser of the Chapter 5745 tax due from, or the Chapter 5745 tax paid, by the qualifying pass-through entity to that municipality for the pass-through entity's taxable year ending in the taxpayer's taxable year. The taxpayer must claim the credit for the taxpayer's taxable year in which the pass-through entity's taxable year ends.

Special Provisions

Taxpayer Elections and Alternative Apportionment Methods (R.C. 5745.031, 5745.01(C), 5745.02(F)):

1. An "electric light company that is not an electric company" can elect to be a taxpayer under Chapter 5745 if during the company's most recently concluded taxable year, not less than 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 company must make the election in writing to the Tax Commissioner before the first day of the first taxable year to which the election is to apply. The election is effective for five consecutive taxable years and, once made, is irrevocable for those five years. An electric light company that does not meet the requirements to make the election, or meets the requirements but does not make a timely election, is subject to the filing and payment requirements of each municipality which has enacted an income tax and in which the company has taxable nexus.
2. If a taxpayer is a qualified subchapter S subsidiary as defined in 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.
3. 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 Chapter 5745 Ohio property, payroll, and sales

factors) to include only the company's activity as an electric company, because "for a combined company, only the income attributed from the activity of an electric company shall be subject to taxation by a municipal corporation" (see R.C. 1701.18(F)(6)).

4. Alternative apportionment methods may also be available to taxpayers (see R.C. 5745.02(E)). If the above provisions for apportioning adjusted federal taxable income to Ohio or for apportioning Ohio net income to an Ohio municipality do not fairly represent business activity in Ohio or in a municipality, the Tax Commissioner may adopt rules for apportioning such income by an alternative method that does fairly represent business activity in Ohio or Ohio's municipalities. In addition, if any of the above 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 enumerated in R.C. 5733.05(B)(2)(d). A taxpayer requesting an alternative method must make the request in writing to the Tax Commissioner either with the annual report, a timely filed amended report, or a timely filed petition for reassessment.

Filing and Payment Dates (R.C. 5745.02-04, 5745.041):

Remittances are payable to the Treasurer of State.

Estimated payment requirements for taxable years beginning in 2003 and each taxable year thereafter:
As used below, the term "combined tax liability" means the total of the taxpayer's income tax liabilities to all Ohio municipalities for a taxable year. For its taxable year beginning in 2003 and each taxable year thereafter, each taxpayer must file a declaration of estimated tax report and make payment as follows:

1. 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.
2. 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.
3. 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.
4. 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.

Extension to file return:
Without an extension, the annual Chapter 5745 municipal income tax return for a taxpayer is due by the 15th day of the fourth month following the end of the taxpayer's taxable year. The due date of the annual municipal income tax return is extended to the due date of the taxpayer's federal income tax return if, by the 15th day of the fourth month following the end of its taxable year, 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. So, if the taxpayer does not file their municipal income tax return by the 15th day of the fourth month following the end of their taxable year, the taxpayer must nevertheless pay any remaining tax due by that date.

Tax payment by electronic funds transfer (R.C. 5745.03(E), 5745.04(E) and 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):

Prior to the first day of March, June, September, and December, the Tax Commissioner must certify to the Director of Budget and Management the amount to be paid to each municipal corporation, as indicated on the declaration of estimated tax reports and annual reports received, less any amounts previously distributed and the net of any audit adjustments made by the Tax Commissioner. Not later than the first day of March, June, September, and December, the Director of Budget and Management must provide for payment of the amount certified to each municipal corporation from the Municipal Income Tax Fund, plus a pro rata share of any investment earnings accruing to the fund since the previous payment.

Administration (R.C. 5745):

The municipal income tax for electric light companies and local exchange telephone companies is administered and enforced by the Department of Taxation, rather than by the various Ohio municipalities that have enacted a municipal income tax.

Ohio Revised Code Citations:

Chapters 5745, 113, 718, 4928, 5703, 5727, and 5733.

Recent Legislation

Amended Sub. H.B. 95, 125th General Assembly (effective June 26, 2003). R.C. 5745.01:
Subjected local exchange telephone companies to Chapter 5745 municipal income tax for taxable years beginning on or after January 1, 2004.

Sub. S.B. 200 (Taxpayer Services II), 124th General Assembly (effective September 6, 2002). R.C. 5703.70:
Codified a uniform application for refund procedure applicable to municipal income tax and various other taxes.

R.C. 5703.60:
Established a uniform petition for reassessment procedure and a uniform assessment correction procedure applicable to municipal income tax and various other taxes. If the taxpayer properly filed a petition for reassessment, this law permits the Tax Commissioner, upon receipt of additional information from the taxpayer, to correct an assessment without issuing a final determination and without a hearing. In addition, this law permits the commissioner to correct an assessment, even if the taxpayer has not filed a petition for reassessment or has not filed a proper petition for reassessment.

Natural Gas Consumption Tax

The natural gas consumption tax was created by Amended Substitute Senate Bill 287, 123rd General Assembly. This tax, effective July 1, 2001, replaced the revenue local governments lost when the assessment rate for natural gas distribution companies' personal property was reduced from 88 percent to 25 percent. The tax is levied on natural gas distribution companies for the purpose of raising revenue for public education and state and local government operations. In Fiscal Year 2005, the tax generated approximately $73.7 million in total revenue.

Taxpayer:

Companies that distribute natural gas in Ohio.

Tax Base (Ohio Revised Code 5727.811):

The amount of natural gas distributed through the meter of an end user in this state.

Rates (R.C. 5727.811):

1.

Mcf (1,000 cubic feet) of Natural Gas Distributed to an End User per Month	Rate per Mcf
0 - 100 Mcf's	$.1593
101 - 2000 Mcf's	$.0877
2001 and above Mcf's	$.0411

2. The rate to a flex customer is $.02 per Mcf. A flex customer is an industrial or a commercial facility that has consumed more than one billion cubic feet of natural gas a year at a single location during any of the previous five years, or has purchased natural gas distribution services at discounted rates or charges established in any of the following:
   (a) A special arrangement subject to review and regulation by the Ohio Public Utilities Commission under R.C. 4905.31;
   (b) A special arrangement with a natural gas distribution company pursuant to a municipal ordinance; and
   (c) A variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.
3. A natural gas distribution company with 50,000 customers or less may elect to apply the rates to the total of the natural gas distributed to all its customers in this state.

Exemptions and Deductions (R.C. 5727.811):

1. Federal government.
2. Natural gas produced by an end user in this state and consumed by the natural gas producer or its affiliates, and not distributed through the facilities of a natural gas company.

Credits:

None.

Filing and Payment Dates (R.C. 5727.82):

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):

Fund	Percentage
School District Property Tax Replacement Fund	68.7%
Local Government Property Tax Replacement Fund	31.3 %

Administration:

The Tax Commissioner administers the tax and the distribution of revenue to the various funds.

Ohio Revised Code Citations:

Chapter 5727.

Recent Legislation

Amended Sub. H.B. 66, 126th General Assembly (effective September 29, 2005) R.C. 5727.84(C)(3):
Revenues from the kilowatt-hour tax and the natural gas consumption tax are paid into a fund that is then divided between the General Revenue Fund and several other funds. Prior law provided that if the revenues raised by the tax fell below certain amounts, the amount of tax payable into the General Revenue Fund would be decreased in order to make up the lost revenue in the other funds. This law has been repealed and there will be no reduction in the amount of tax credited to the General Revenue Fund.

Table
Natural Gas Consumption Tax Collections and Distributions
Fiscal Years 2002[1] - 2005

Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2002 [1]	$55,937,596	$39,155,962	$16,781,634
2003	83,690,824	57,495,596 [2]	26,195,228 [2]
2004	76,318,465	52,430,785 [2]	23,887,680 [2]
2005	73,653,401	50,599,986 [2]	23,053,415 [2]

(1) Only nine months' collections occurred in FY 2002.
(2) Distribution rates changed June 3, 2002, under the provisions of Sub. H.B. 129 of the 124th General Assembly.

Source: Returns filed with the Department of Taxation.

Pass-Through Entity & Trust Withholding Tax

House Bill 215, 122nd General Assembly, enacted a method for the collection of tax on the distributive shares of income earned by qualifying investors from their investment in any qualifying pass-through entity doing business in Ohio. The pass-through entity and trust withholding tax is not so much a separate tax but rather a mechanism designed to collect individual income tax or corporation franchise tax, which is otherwise due and payable by pass-through entity investors pursuant to Ohio tax law. A pass-through entity is an S corporation, a partnership, or a limited liability company (LLC) treated as a partnership for federal income tax purposes.

For taxable years beginning after December 31, 1997, each qualifying pass-through entity doing business in Ohio or otherwise having nexus with Ohio under the Constitution of the United States is subject to the pass-through entity tax. (Qualifying trusts are also subject to the tax – see **Special Provisions**.)

The tax is a 5.0 percent withholding tax on income of qualifying individual investors and an 8.5 percent entity tax on income of qualifying investors that are not individuals. Beginning in 2005 the entity tax is being phased out for certain investors (see **Entity Tax Phase-Out for Qualifying Investors**, below). The tax is based upon each investor's share of the qualifying pass-through entity's profits apportioned to Ohio. This tax is calculated on form IT 1140. Each qualifying investor can claim an income tax or corporation franchise tax credit based upon the investor's proportionate share of the pass-through entity tax.

Entity Tax Phase-Out for Qualifying Investors (see also **Recent Legislation**)
Amended Substitute House Bill 66, 126th General Assembly, the Fiscal Year 2006-2007 biennium budget bill, phases out the pass-through entity tax for certain investors. Consistent with the franchise tax phase-out, the tax that a pass-through entity will pay on the distributive shares of its Ohio income passing through to its qualifying investors subject to the franchise tax phase-out also phases out as shown in the following table:

Pass-Through Entity's Taxable Year Ending in:	Pass-Through Entity's Tax Rate on its Ohio Income that Passes-Through to Its Qualifying Investors Subject to the Franchise Tax Phase-Out
2005	6.8% (80% x 8.5%)
2006	5.1% (60% x 8.5%)
2007	3.4% (40% x 8.5%)
2008	1.7% (20% x 8.5%)
2009 and thereafter	0.0% (0% x 8.5%)

Those qualifying investors that are listed below and are **NOT** subject to the phase-out rates must continue to compute the estimated tax at the rate of 8.5 percent:

- Financial holding companies as defined in the federal "Bank Holding Company Act."
- Bank holding companies as defined in the federal "Bank Holding Company Act."
- Savings-and-loan holding companies as defined in the federal "Home Owners Loan Act" that are engaging only in activities permissible under 12 United States Code (U.S.C.) 1843(k).
- Persons, other than persons held pursuant to merchant banking authority under 12 U.S.C. 1843(k)(4)(h) or 12 U.S.C. 1843(k)(4)(i), directly or indirectly "owned" by one or more financial institutions, financial holding companies, bank holding companies, or savings-and-loan holding companies, but only if those persons are engaged in activities permissible for a financial holding company under 12 U.S.C. 1843(k).
- Persons directly or indirectly "owned" by one or more insurance companies that are: (1) authorized to do the business of insurance in this state, and (2) paying the Ohio insurance premiums tax.
- Persons that solely facilitate or service one or more "securitizations" or similar transactions for financial institutions, financial holding companies, bank holding companies, savings-and-loan holding companies, insurance companies, or persons directly or indirectly "owned" by such businesses.

Definition of "owned" for this purpose: generally, a person "owns" another entity if the person . . .

- owns at least 50 percent of the entity's voting stock (corporations),
- owns at least 50 percent of the entity's membership interests (LLC's), or
- has a beneficial interest in the entity's profits, surpluses, losses, or distributions (partnerships, trusts, or other business interests).

Definition of "securitization" for this purpose: transferring one or more assets to one or more persons and then issuing securities backed by the right to receive payment from the asset or assets so transferred.

Many pass-through entities are not "qualifying" pass-through entities and therefore are not subject to this tax. Pass-through entities not subject to the tax include entities whose investors are limited to full-year Ohio resident individuals, Ohio estates, and/or corporations that pay the Ohio corporation franchise tax. (A more complete listing of exempt pass-through entities is available in **Exemptions and Exclusions**.)

The most recent data for pass-through entity tax collections is from fiscal and tax year 2004. In tax year 2004 there were 8,208 pass-through entity tax returns filed. The liability from the 5.0 percent withholding tax component of the pass-through entity tax was $61.2 million. The 8.5 percent entity tax liability amounted to $15.3 million.

Thus, the total tax year 2004 pass-through entity tax liability was $76.5 million. In tax year 2003, the total liability was $73.9 million, resulting in a $2.6 million increase in 2004.

Revenue collected from the composite income tax paid on behalf of nonresident investors in pass-through entities in FY 2004 amounted to about $75.5 million.

Ohio form IT 4708 is another mechanism for collection of Ohio income tax due on an investor's share of pass-through entity income. Form IT 4708 is a composite return filed by the pass-through entity on behalf of one or more of the entity's investors, other than investors that are C corporations (income passing through either directly or indirectly to C corporations cannot be included in form IT 4708).

The tax is calculated at the highest tax rate for the taxable year for which the return is filed. The pass-through entity using form IT 4708 cannot claim individual income tax credits but can claim the business credits. The primary benefit of filing form IT 4708 is that the composite return constitutes each investor's Ohio return with respect to the pass-through entity's income. Thus, by being included in form IT 4708, each nonresident investor has met their filing and payment obligation with respect to that income and need not file a separate return unless they have other Ohio-source income.

Taxpayer (Ohio Revised Code 5733.40, 5747.08):

A qualifying pass-through entity is generally an S corporation, a partnership, or an LLC treated as a partnership for federal income tax purposes. 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 sum of the "adjusted qualifying amounts" of the entity's qualifying investors. The "adjusted qualifying amount" is the net sum of each qualifying investor's distributive share of the income, gain, expense, or loss of a pass-through entity, multiplied by the apportionment fraction.

Form IT 4708 —
The tax base is the sum of the allocated and apportioned distributive share income amounts for those qualifying investors for which the pass-through entity has not filed form IT 1140.

Rates (R.C. 5733.41, 5747.08, 5747.41):

Form IT 1140 —
A 5.0 percent tax rate is applied to the sum of adjusted qualifying amounts for those qualifying investors who are individuals. An 8.5 percent tax rate is applied to the sum of adjusted qualifying amounts for those qualifying investors that are not individuals for years prior to 2005. However, see the phase-out rate table earlier in this chapter applicable to certain corporate investors for post-2004 years.

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 tax rate, currently 7.185 percent.

Exemptions and Exclusions (R.C. 5733.40, 5733.401, 5733.402, 5747.08(D), 5747.401):

Form IT 1140 —
Pass-through entities not subject to tax:

1. Entities having no qualifying investors (see below for a list of investors that do not qualify);
2. Pension plans and charities;
3. Publicly-traded partnerships;
4. Real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
5. Any entity treated as a "disregarded entity" for federal income tax purposes (see "Check the Box" U.S. Treasury regulations);
6. 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); and
7. Any pass-through entity if all the equity investors are: (1) Ohio corporation franchise taxpayers, and/or (2) corporations exempt under R.C. 5733.09 from the Ohio corporation franchise tax.

A qualifying investor is any investor other than the following:

1. Investors which are pension plans or charities;
2. Investors which are publicly-traded partnerships;
3. Investors which are colleges or universities;
4. Investors which are public utilities in Ohio and required to pay the Ohio public utility excise tax;
5. Investors which 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;
6. Investors which are dealers in intangibles;
7. Investors which are real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
8. Investors who are individuals and residents of Ohio for the pass-through entity's entire taxable year;
9. Investors which are estates or trusts that are residents of Ohio for the pass-through entity's entire taxable year;
10. Nonresident individuals on whose behalf the qualifying pass-through entity files Ohio form IT 4708;
11. Investors that are financial institutions required to pay the Ohio corporation franchise tax;
12. Investors which are themselves qualifying pass-through entities if

those qualifying pass-through entities' investors during the three-year period beginning 12 months prior to the first day of the taxable year are limited to those investors listed in items 1 through 11, above;

13. Investors that are themselves pass-through entities, but only if the owners of those other pass-through entities are limited to:
    (1) individuals who are full-year residents of Ohio,
    (2) estates domiciled in Ohio,
    (3) nonresident individuals on whose behalf those other pass-through entities file Ohio form IT-4708, and
    (4) nonresident estates on whose behalf those other pass-through entities file Ohio form IT 4708;
14. Corporate investors which satisfy the following three requirements:
    (1) the investor submits a written statement to the qualifying pass-through entity stating that the investor agrees that the investor has nexus with Ohio and is liable for corporation franchise tax with respect to the investor's distributive share of income attributable to the pass-through entity,
    (2) the investor makes a good faith and reasonable effort to comply with the corporation franchise tax reporting and payment requirements, and
    (3) neither the investor nor the qualifying pass-through entity carries out any transactions that would result in a reduction or deferral of corporation franchise tax;
15. Investors that are either trusts or funds whose beneficiaries are limited to the following during the taxable year of the qualifying pass-through entity:
    (1) persons that are or may be beneficiaries of a pension plan trust, profit-sharing trust, a stock bonus plan trust or similar retirement trust, or
    (2) persons that are or may be beneficiaries of or the recipients of payments from a trust or fund that is a nuclear decommissioning reserve fund, a designated settlement fund, or any other similar trust or fund established to resolve and satisfy injury claims, or
    (3) persons who are or may be the beneficiaries of a complex trust, but only if the trust irrevocably agrees in writing that, for the taxable year during or for which the trust distributes any of its income to any of its beneficiaries who are individuals residing outside Ohio, the trust will withhold tax as required under R.C. 5747.41 through 5747.453; or
16. Investors which are "investment pass-through entities," but only if the investment pass-through entity provides to the qualifying pass-through entity the name, address, and social security number of each person who has invested in the investment pass-through entity.

Form IT 4708 —

These entities cannot be investors included in form IT 4708:

1. C corporations subject to the tax imposed by R.C. 5733.06;
2. 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 tax imposed by R.C. 5733.06; and
3. 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 tax imposed by R.C. 5733.06.

Credits (R.C. 5733.0611, 5747.08, 5747.059):

A refundable Ohio individual income tax credit is available for qualifying investors subject to the Ohio individual income tax. A nonrefundable corporation franchise tax credit is available for qualifying investors subject to the corporation franchise tax. Certain corporate qualifying investors exempt from corporation franchise tax are able to claim a refundable credit.

The credits described above are based upon the investor's proportionate share of the 5.0 percent withholding tax or the 8.5 percent entity tax paid on the qualified investor's distributive share of income from the qualifying pass-through entity. In order to claim this credit, the qualifying investor must provide a copy of Internal Revenue Service form K-1, indicating the amount of the 8.5* percent entity tax paid and/or 5.0 percent withholding tax paid which is attributable to the qualifying investor.

If the investor has deducted its proportionate share of the 5.0 percent withholding tax or 8.5* percent entity tax from its income, the investor must add back such tax as income on the Ohio individual income tax return or corporation franchise tax return.

Special Provisions

Form IT 1140 —

1. Qualifying trusts are also subject to tax. A qualifying trust is generally any trust meeting all four of the following tests:
    (1) it is required to file IRS Form 1041,
    (2) it has at least one beneficiary who is neither a full-year Ohio resident individual nor an Ohio resident estate,
    (3) it makes a distribution to a nonresident beneficiary, and
    (4) the distribution relates either to real estate located in Ohio or to tangible personal property located in Ohio.

    If an entity is a trust whose beneficiaries are limited to full-year Ohio resident individuals and/or Ohio resident estates, then it is not a qualifying trust and is not subject to the pass-through entity tax. Qualifying trusts are subject to the 5.0 percent withholding tax on distribution of certain types of income to individuals who are nonresidents of Ohio. The filing, payment, and credit provisions that apply to qualifying pass-through entities and investors also apply to qualifying trusts and beneficiaries.
2. The 8.5* percent tax does not apply to any pass-through entity to the extent the pass-through entity's distributive shares of income and gain pass through from that entity to another pass-through entity (referred to as the "investing entity"), as long as four conditions are met:
    (1) the investing entity is not an investment pass-through entity, as defined in item 3., below;
    (2) the investing entity acknowledges that it has nexus with this state during the taxable year;
    (3) the investing entity makes a good faith effort to comply with the 8.5* percent entity tax and 5.0 percent withholding tax; and

* Phase-out rates apply, per the table earlier in this chapter that lists those phase-out percentages, for those qualifying investors that are subject to the phase-out rates.

(4) the investing entity includes in its apportionment factors its proportionate share of each lower-tiered pass-through entity's property, payroll, and sales.

3. Neither the 8.5* percent entity tax nor the 5.0 percent withholding tax applies to the items and income, listed below, which 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 sources listed below:
   - dividend income, interest income, net capital gains from the sale or exchange of intangible property, certain fees, and all types and classifications of income attributable to distributive shares of income from other pass-through entities.
4. An investor (termed the "deemed investor") in an investment pass-through entity, as defined in item 3., shall be deemed to be an investor in any other qualifying pass-through entity in which the investment pass-through entity is a direct investor. Each deemed investor's portion of such qualifying pass-through entity's adjusted qualifying amount will be the product of:
   (1) the adjusted qualifying amount which would otherwise pass-through to the investment pass-through entity, and
   (2) the percentage of the deemed investor's direct ownership in the investment pass-through entity.

Form IT 4708 —

1. The pass-through entity cannot claim nonbusiness exemptions or nonbusiness credits, such as the personal exemption credit. However, the pass-through can claim its distributive share of business credits (e.g., the credit for purchases of manufacturing machinery and equipment).
2. The election to file a composite 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 that taxable year.

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. The annual pass-through entity and trust withholding tax return (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 January 1 - December 31 taxable year, the return is due on April 15. If the entity has an extension of time to file its federal tax return (IRS form 1065 or 1120S), then the qualifying pass-through entity has the same extension of time to file the Ohio tax return. However, there is no extension of time granted for payment.

Form IT 4708 —

The return is generally due on April 15 of the calendar year immediately following the calendar year in which the pass-through entity's taxable year ends. If the pass-through entity has an extension of time to file its federal tax return, then the pass-through entity has the same extension of time to file the Ohio return on form IT 4708. The pass-through entity must make estimated tax payments on form IT 4708ES if the pass-through entity's tax due for the current year is more than $500.00.

Disposition of Revenue:

The revenue collected from the 5.0 percent withholding tax and the form IT 4708 tax is treated as individual income tax revenue, with 91.2 percent deposited in the General Revenue Fund, 4.9 percent deposited in the Library and Local Government Support Fund, 3.4 percent deposited in the Local Government Fund, and 0.5 percent deposited in the Local Government Revenue Assistance Fund.

Revenue collected from the 8.5* percent entity tax is treated as corporation franchise tax revenue, with 94.6 percent deposited in the General Revenue Fund, 3.7 percent deposited in the Local Government Fund, 0.5 percent deposited in the Local Government Revenue Assistance Fund, and 1.2 percent deposited in litter tax funds and the Attorney General claims fund.

These distributions are in accordance with the freeze of local government funds at FY 2001 levels that began in 2002 and have been continued by subsequent budget bills.

Administration:

The Tax Commissioner administers the tax and the distribution of revenue to the various funds.

Ohio Revised Code Citations:

Chapters 5733 and 5747.

Recent Legislation

Substitute H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005 for taxable years ending on or after July 1, 2005).

Pass-Through Entity Tax Phase-Out for Qualifying Investors

The phase-out of the pass-through entity tax on distributive shares of income that passes through to certain corporate qualifying investors subject to the corporation franchise tax phase-out begins on the 2005 form IT 1140. The phase-out rate is calculated by the 20 percent reduction beginning on the 2005 return, a 40 percent reduction for 2006, 60 percent reduction for 2007 and an 80 percent reduction on the 2008 return. Thereafter, there is no pass-through entity tax on distributive shares of income that pass through to the certain corporate qualifying investors. Instead, those taxpayers are subject to the full amount of commercial activity tax (CAT).

* Phase-out rates apply, per the table earlier in this chapter that lists those phase-out percentages, for those qualifying investors that are subject to the phase-out rates.

Table 1
Pass-Through Entity Tax Liability
(Form IT-1140)
Tax Years 2001 - 2004
(figures in millions)

Tax Year	Withholding Tax (5.0%)	Entity Level Tax (8.5%)	Total Pass-Through Entity Tax Liability
2001	$48.7	$7.3	$56.0
2002	52.6	10.5	63.1
2003	59.7	14.2	73.9
2004	61.2	15.3	76.5

Table 2
Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities
(Form IT-4708)
Fiscal Years 2001 - 2004
(figures in millions)

Fiscal Year	Revenue Collected*
2001	$62.4
2002	49.4
2003	67.3
2004	75.5

* Includes estimated tax payments (form IT-4708ES).

Public Utility Excise Tax

The public utility excise tax, a tax for the privilege of doing business in Ohio, is payable by some companies that are classified by statute as public utilities. Companies liable for this tax do not pay the corporation franchise tax. Utilities owned by municipal corporations are exempt from the public utility excise 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 others. Companies with a preceding year's tax liability of $1,000 or more (except natural gas companies) are liable during each calendar year for three advance payments — each in an amount equal to one-third of the previous year's certified tax liability. When the current year's total tax liability exceeds the sum of the three advance payments, a final payment is due in November for the difference. A refund is issued if the advance payments exceed the total liability.

Natural gas companies whose annual tax liability exceeds $325,000 file on a quarterly basis, while natural gas companies whose tax liability is less than $325,000 file annually.

A total of more than $255 million in public utility excise taxes was levied during tax year 2004. Telephone companies accounted for about 41.6 percent of total tax revenue, while natural gas companies accounted for about 56.5 percent. These two main public utility classes were responsible for over 98 percent of the total excise tax on public utilities.

Total revenue collected from the public utility excise tax amounted to $140.9 million in Fiscal Year 2005. Of the amounts collected, 22.8 percent was distributed to the Local Government Fund, 3.3 percent was distributed to the Local Government Revenue Assistance Fund and 73.9 percent was distributed to the General Revenue Fund.

House Bill 283, 123rd General Assembly, created many changes to the public utility excise tax as it applies to the natural gas industry. Since May 1, 2000, some natural gas companies pay the excise tax quarterly based upon the previous quarter's gross receipts. The first payment on this tax schedule was November 15, 2000, and was based on receipts from May 1, 2000 to September 30, 2000. Since then, the payments are based upon the previous quarter's receipts.

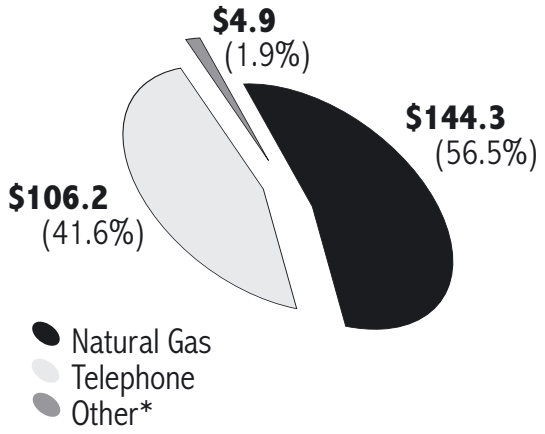
Companies that have an annual tax liability of at least $325,000 pay on this quarterly basis. Natural gas companies below this threshold pay annually, with the tax due 45 days from the last day of the fourth quarter of the previous year (with first payment due February 14, 2001). Companies that provide both natural gas and electric services must separate the services from each other so the applicable tax applies. Natural gas companies are also subject to the Mcf (1,000 cubic feet) tax (see the **Natural Gas Consumption Tax** chapter).

Amended Substitute Senate Bill 3, 123rd General Assembly, effective October 3, 1999, was the electric utility deregulation bill that made numerous tax changes to the industry. A utility company's gross receipts of electric services were last subject to the public utility excise tax on April 30, 2001. Their last payment under the excise tax schedule was November 2001.

The excise tax on electric and rural electric companies was replaced by the kilowatt-hour tax (see the **Kilowatt-Hour Tax** chapter). The kilowatt-hour tax is remitted monthly, with the first payment made in June 2001, based upon May 2001's liabilities. Electric utilities are also subject to the corporation franchise tax, beginning January 2002. Companies that provide both natural gas and electric services must separate the services from each other so the applicable tax applies.

Public Utility Excise Taxes Levied by Utility Type

Tax Year 2004
(figures in millions)



Total $255.4 million

* Other includes waterworks, pipeline, water transportation, and heating.

* Other includes waterworks, pipeline, water transportation, and heating.

Taxpayer:

Most public utilities in Ohio, except those public utilities that are owned by municipal corporations, as well as inter-exchange telecommunications companies, electric companies, rural electric companies, and railroads.

Tax Base (Ohio Revised Code 5727.01):

Gross receipts for all utilities.

Rates:

Utility Class	Tax Base	Tax Rate
Heating, telegraph, telephone, water transportation, waterworks (R.C. 5727.38)	Gross receipts	4.75%
Natural Gas (R.C. 5727.25)	Gross receipts	4.75%
Pipeline (R.C. 5727.38)	Gross receipts	6.75%
There is a minimum tax of $50 for each tax year (R.C. 5727.25, 5727.38).		

Tax Reporting and Certification Deadlines:

The following deadlines apply to those utility companies required to file the gross receipts excise tax returns, except for natural gas companies:

Utility Class	Deadline	For
All public utilities (1) (R.C. 5727.31, 5727.32, 5727.33, 5727.38	August 1(2)	Company's annual statement to the Tax Commissioner for year ending April 30 (June 30 for telephone and telegraph companies).
	First Monday in November	Tax Commissioner assesses tax and certifies amount to company and Treasurer of State.

(1) Except natural gas companies.
(2) Subject to extension up to 60 days (R.C. 5727.48). A public utility that fails to file a report by the due date is subject to a penalty of $50 per month for each month or fraction thereafter late, up to $500 maximum (R.C. 5727.60).

Exemptions and Deductions (R.C. 5709.35, 5727.05, 5727.33):

1. Exempt utilities:
   (a) municipally-owned utilities;
   (b) nonprofit water companies;
   (c) inter-exchange telecommunications companies;
   (d) electric companies and rural electric companies;
   (e) railroads; and
   (f) telephone companies beginning in tax year 2005.
2. Deduction for all companies is $25,000. Since May 1, 2000, natural gas companies that pay quarterly have a $6,250 deduction on each quarterly return.
3. Amounts attributable to sales of merchandise.
4. Receipts derived wholly from interstate business.
5. Sales to other public utilities for resale.
6. Receipts from business done for the federal government.
7. Receipts from facilities used to convert coal to gaseous, liquid, or solid fuels, for a period of 30 years.
8. Amounts billed on behalf of other entities by telephone companies.
9. Receipts of telephone companies from sales to other telephone companies for resale.
10. Amounts billed on behalf of other entities by natural gas companies.

Credits (R.C. 5727.29, 5727.39, 5727.391, 5727.44):

Telephone companies are allowed a credit against the public utility excise tax equal to the non-recurring (start-up) costs of a 9-1-1 telephone system (emergency service telephone system). The credit must be claimed in the year that the system becomes available for use. Any excess credit may be carried over to following years until completely used. The total amount of the credit that may be taken (for all companies combined) is limited to 25 percent of the total excise tax levied on telephone companies in 1984. This credit ceiling is adjusted annually for increases in the consumer price index. Once the total credits allowed equal the credit ceiling, no additional credits will be allowed.

A telephone company that provides telephone service to aid the communicatively impaired in accessing the telephone network is allowed a credit against the tax for the cost of providing such service.

Natural gas companies that pay quarterly are able to take a credit against their quarterly payments equal to 1/60 of their total estimated payments made in October 1999, March 2000, and June 2000. The credit is to expire when the entire amount of the estimated payments is taken as the credit or in 15 years, whichever is first.

Starting with the third quarter filings in 2005, 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.

Advance and Final Payment Dates (Except Natural Gas):

Advance Payments — October 15, March 1, and June 1 (R.C. 5727.25 and R.C. 5727.31):
All advance reports and payments are due to the Treasurer of State on the dates specified. These payments will be applied to the tax liability

certified to the Treasurer on the first Monday in November. Each advance payment is equal to one-third of the previous year's liability. These reports and payments are due from each utility with an excise tax liability for the previous year in excess of $1,000.

Final Payment — 30 days from date tax bill is mailed (R.C. 5727.42):
The final payment is equal to the total tax certified to the Treasurer of State, less advance payments made (refund is made if advance payments exceed assessment).

Filing and Payment Dates, Natural Gas:

Beginning May 1, 2000, natural gas companies that exceeded $325,000 in annual liability began paying the excise tax quarterly. The first payment was based upon receipts from May 1, 2000 to September 30, 2000 and was paid on November 15, 2000. Thereafter, the payments are due 45 days after the end of each calendar quarter. Natural gas companies below the $325,000 threshold pay annually, with payment made 45 days after the last day of the fourth quarter.

Disposition of Revenue (R.C. 5727.45):

The Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund 0.6 percent, and the General Revenue Fund 95.2 percent of public utility excise tax collections.

This distribution was temporarily replaced, however, by H.B. 95, 125th General Assembly, the Fiscal Year 2004-2005 biennium budget bill, which continued a freeze on local government funds that began in 2002. For each month of FY 2005, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2003 - June 2004 period.

An uncodified provision of H.B. 66, the FY 2006-2007 biennium budget bill, froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.

Administration:

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

Ohio Revised Code Citations:

Chapters 5703 and 5727.

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).
R.C. 150.07, 150.10, 5727.241:
Created a natural gas excise tax venture capital credit as listed on an Ohio Venture Capital Credit tax credit certificate. The amount of the venture capital credit and the tax year in which it may be claimed will be listed on the tax credit certificate. The natural gas company may elect to take either a refundable or nonrefundable credit.

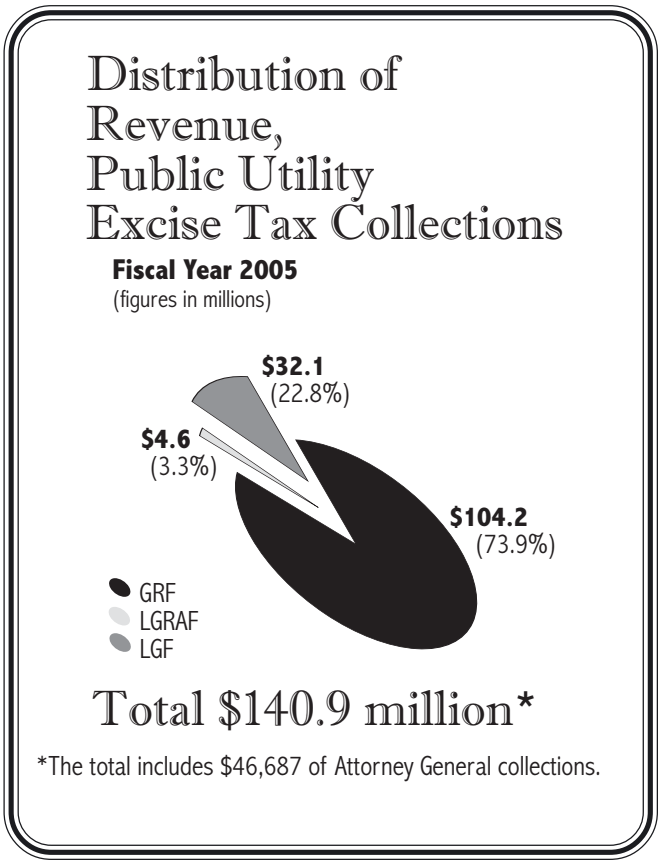


Table
Public Utility Excise Taxes Levied By Class of Utility
Tax Years 2000 - 2004(a) (b)

Class of Utility	Number of Taxpayers in 2004	Tax Rate 2004	Tax Year				
			2000(d)	2001(d)	2002(e)	2003	2004
Electric	0		$448,574,349	$417,378,610			
Natural Gas(b)	29	4.75%	119,050,766	146,357,385	$142,793,886	$145,553,831	$144,259,415
Telephone	87	4.75	119,030,209	122,746,743	123,114,681	117,333,061	106,197,855
Rural Electric	0		18,778,490	20,347,758			
Waterworks	18	4.75	2,926,060	3,007,909	2,895,320	3,182,696	3,090,875
Pipeline	16	6.75	277,701	313,530	233,487	278,723	147,777
Other(c)	8	4.75	1,618,159	1,676,351	1,707,891	1,657,460	1,650,390
Total	**158**		**$710,255,734**	**$711,828,286**	**$270,745,265**	**$268,005,771**	**$255,346,310**

(a) Amount of tax certified for collection (except for natural gas companies, beginning in 2001- see note below).
(b) Beginning in 2001, natural gas companies use a current payment schedule and measurement period; the 2001, 2002, 2003, and 2004 figures represent payments made during fiscal years 2001, 2002, 2003, and 2004, respectively.
(c) Includes water transportation and heating.
(d) There were two combined electric/natural gas companies for 2000 and one combined company for 2001. Taxes levied on these entities are separated by utility type for 2000 and 2001.
(e) Beginning in 2002, electric and rural electric companies were no longer subject to the public utility excise tax.

Public Utility Property Tax

This chapter describes the taxes levied on both the real and personal property of public utilities during calendar year 2004. However, the data in the tables in this section pertain only to the personal property of public utilities. Data for public utility real property are included in the tables in the **Real Property Tax** chapter.

The assessed valuation of public utility personal property was approximately $10 billion in tax year 2004. Electric utilities accounted for about 54.7 percent of the total public utility personal property valuation in 2004 and the telephone industry accounted for 25.5 percent of the total valuation.

Revenue from the public utility property tax amounted to about $775.4 million in calendar year 2004 (see **Table 3** in **Revenue from Taxes Administered by the Tax Commissione**r). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied, less local administrative deductions.

Taxpayer:

Local telephone, telegraph, electric, natural gas, pipeline, waterworks, water transportation, heating, rural electric, railroads, and inter-exchange telephone companies holding property in Ohio.

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

The property tax base of all public utilities, except railroads and water transportation companies, consists of all tangible personal property owned and located in Ohio on December 31 of the preceding year. The water transportation company tax base consists of all tangible personal property, except watercraft, owned or operated in Ohio on December 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year. Real property includes land and improvements, while personal property includes all plants and equipment either owned or leased by the utility under a sale-lease back agreement, and not classified as real property or intangible property.

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. It should be noted that most utilities are valued by this method. The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost. The exception to this is electric company or rural electric company production equipment purchased, transferred, or sold after the effective date of Substitute Senate Bill 3, 123rd General Assembly, the electric utility restructuring bill. The true value of electric production equipment in these instances is the capitalized cost on the books and records, less composite annual allowances.

The true value of current gas 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, while the true value of non-current gas stored underground is 35 percent of cost on lien date.

Type of Utility	Assessment Rates
Electric companies and rural electric companies — production personal property	25%
Electric companies — transmission and distribution personal property	88%
Electric companies — all other tangible personal property	25%
Rural electric — transmission/distribution personal property	50%
Rural electric companies — all other tangible personal property	25%
Natural gas companies	25%
Railroads — real property only	35%
Railroads — personal property only	25%
Inter-exchange telecommunications companies	25%
Telephone companies (only personal property taxed in tax year 1995 and thereafter)	25%
All other existing telephone company personal property (prior to 1995); heating, pipeline, and waterworks companies	88%
Water transportation companies	25%

To determine the true value of railroad real and personal property, the unitary method is used to value the company's entire railroad system. The value is apportioned to this state in the proportion that the length of track in this state bears to the whole length of track. Values for railroad real property used in operation are apportioned on the basis of their relative value, while values for railroad personal property used in operation are apportioned on the basis of miles of track in each taxing district weighted according to traffic density. Values for railroad real and personal property not used in operation are sitused on the basis of their physical location.

Public utility real property is assessed at 35 percent of true (market) value while public utility personal property is assessed at varying ratios. Production equipment and non-transmission and distribution property of electric companies and rural electric companies is assessed at 25 percent of true value. Electric transmission and distribution property is

Class of Utility	Distribution Base
Electric companies	Production equipment Taxable cost of all other property
Natural gas, heating, pipeline, waterworks, rural electric, water transportation	Taxable cost
Telephone and inter-exchange telecommunications companies	Miles of wire/taxable cost
Railroads	Miles of track and trackage rights weighted by use

assessed at 88 percent of true value, and rural electric transmission and distribution property is assessed at 50 percent of true value. Railroads are assessed at 25 percent of true value for personal property. All inter-exchange telecommunications, natural gas, and water transportation property is assessed at 25 percent of true value. Local exchange telephone companies' personal property, first subject to tax during 1995 and thereafter, is assessed at 25 percent. However, local exchange telephone company personal property listed prior to tax year 1995 is assessed at 88 percent. All other public utility personal property is assessed at 88 percent. Each of the public utility personal property assessment rates is shown in the table on the preceding page.

Real property values of all utilities except railroads are placed into the various taxing districts according to the physical location of the property.

Personal property values of all utilities are apportioned (using a specific base) among the taxing districts in which the utilities operate. The bases for distributing personal property values among taxing districts for the various classes of utilities are shown in the table above.

A major change occurred in the electric utility industry during the 123rd General Assembly. Sub. S.B. 3 created numerous changes to the electric utility property tax structure. Effective beginning in tax year 2001, the assessment rate for all electric and rural electric property that is not distribution or transmission property was lowered to 25 percent. Electric company transmission and distribution property remains at the 88 percent assessment rate while rural electric transmission and distribution property remains at the 50 percent assessment rate.

Also effective in tax year 2001, the method in which the electric company property is apportioned was changed. Production equipment is sitused 100 percent where located, and remaining property is apportioned based upon the taxable cost of the remaining property in each district to all remaining property in the state. Various other electric property tax changes occurred under this bill as well.

In addition, S.B. 287, 123rd General Assembly, made several changes to the tangible personal property taxes of the natural gas industry. Effective in tax year 2001, the assessment rate on all natural gas personal property was lowered from 88 percent to 25 percent. Also, the valuation method for current gas was changed to reflect a 12-month average.

Rates (R.C. 319.30, 319.301, 5705.02-5705.05, 5705.19):

Tax rates vary with the taxing jurisdiction. The total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located or to which it is apportioned (e.g., county, township, municipal corporation, and school district). Although the nominal tax rates applied to public utility real and personal property are the same, the effective rates on the two types of property may differ substantially because of the effects of the tax reduction factor applied to real property taxes. Public utility real property taxes (in addition to other real property taxes) are reduced by a computed reduction factor whenever real property values increase due to reappraisal. This reduction factor does not apply to taxes levied on public utility personal property.

Exemptions and Credits (R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31):

1. Municipally-owned utilities.
2. Certified air, water, and noise pollution control facilities.
3. Licensed motor vehicles.
4. Tangible personal property under construction.
5. Real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.
6. Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.
7. 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 December 31, 2000. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

Reporting, Certification, and Payment Dates:

Dates	R.C.	Description
March 1(a)	5727.08 5727.48	Company's annual report to Tax Commissioner
On or before the first Monday in October	5727.10 5727.23	Tax Commissioner notifies utilities and county auditors of values
December 31(b)	323.12 323.17	At least half of total tax liability due
June 20(b)	323.12 323.17	Balance of tax liability due

(a) Tax Commissioner may grant extension of up to 60 days.
(b) These deadlines may be extended by 45 days (longer in certain circumstances).

Disposition of Revenue (R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.34):

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each.

Administration (R.C. 5713.01, 5727.06):

The Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

Ohio Revised Code Citations:

Chapters 319, 321, 323, 5701, 5705, 5709, 5715, 5719, 5727, and 6111.

Recent Legislation

Am. Sub. House Bill 66, 126th General Assembly (Fiscal Years 2006-2007 biennium budget bill, effective June 30, 2005).

R.C. 5711.01, 5711.21, 5711.22, 5713.01, 5727.01, 5727.02, 5727.031, 5727.06, 5727.08, 5727.10, 5727.11, 5727.111, 5727.12, 5727.23:

This bill enacted a number of changes to the public utility property tax. Starting in 2006:

- Patterns, jigs, dies, and drawings will be considered taxable personal property of electric companies;
- assessment percentage of electric transmission and distribution personal property is reduced from 88 percent to 85 percent;
- assessment percentage of all other electric personal property is reduced from 25 percent to 24 percent;
- non-operating real property of a railroad will be valued and assessed by the county auditor; and
- assessment of railroad personal property will be phased-out over three years. The assessment percentage on railroad personal property will be 18.75 percent in 2006, 12.5 percent in 2007, 6.25 percent in 2008 and 0 percent in 2009 and thereafter.

Starting in 2007:

- Telephone companies and inter-exchange telecommunications companies will be defined as general business taxpayers instead of public utilities and will be valued and assessed under R. C. 5711;
- taxable value of telephone and inter-exchange telecommunications personal property will continue to be apportioned under R. C. 5727;
- assessment of telephone and inter-exchange telecommunications personal property will be phased-out over three years; and
- assessment percentage for all telephone and inter-exchange telecommunications personal property will be 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5.0 percent in 2010 and 0 percent in 2011.

Starting in 2009:

- Defines a "public utility lessor company" as a taxpayer that leases personal property to a public utility other than a railroad, water transportation company, or telephone or telegraph company and requires this taxpayer to report and pay the tax on the taxable personal property under R. C 5727; and
- requires a taxpayer that is engaged in some other primary business to which the supplying of electricity to others is incidental to be treated as an electric company and required to report and pay the tax on the electric generation personal property.

Table 1
Public Utility Personal Property: Certified Assessed Value by Class Of Utility and Total Taxes Levied, Tax Years 2000 - 2004

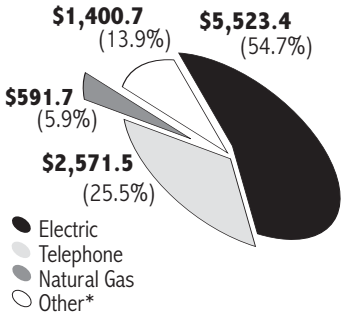
Class of Utility	Number of Taxpayers (2004)	Assessed Values 2000	2001	2002	2003	2004
Electric (1)	18	$7,960,469,690	$5,268,840,110	$5,457,071,420	$5,450,273,000	$5,523,375,530
Telephone (2)	186	2,607,616,590	2,646,647,630	2,776,522,250	2,627,731,270	2,571,456,080
Natural Gas (3)	29	1,733,474,700	522,365,280	555,361,960	560,131,920	591,653,220
Railroad	31	410,271,630	384,089,250	262,126,650	275,488,860	270,911,390
Pipeline	15	656,000,830	645,520,830	638,727,270	645,206,580	695,838,050
Rural Electric	27	299,881,530	261,197,740	279,920,260	294,763,870	308,889,580
Waterworks	17	99,049,080	109,361,370	102,110,620	119,104,530	122,202,520
Other (4)	7	5,676,240	4,667,040	4,017,170	3,675,010	3,010,510
Totals (5)	**330**	**$13,772,440,290**	**$9,842,689,250**	**$10,075,857,600**	**$9,976,375,040**	**$10,087,336,880**
Taxes Levied		**$967,674,709**	**$722,757,663**	**$746,058,859**	**$751,787,109**	**$775,375,587**

(1) Assessment of electric company property was lowered from 100% to 25% in 2001, while the number of taxpayers increased from 14 (2000) to 17 (2001) and has fluctuated in subsequent years.
(2) Includes inter-exchange telecommunications.
(3) Assessment of natural gas company property was lowered from 88% to 25% in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.
(4) Includes water transportation and heating.
(5) Only companies with taxable property are included.

Source: Department of Taxation.

Public Utility Personal Property Valuation by Type of Utility

Tax Year 2004
(figures in millions)



Total $10,087.3 million

* Includes railroad, pipeline, rural electric, waterworks, water transportation, and heating.

Table 2
Assessed Value of Public Utility Personal Property and Taxes Levied, by County, Tax Year 2004

County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	$140,585,270	$6,179,224	LOGAN	$39,006,960	$2,412,374
ALLEN	91,021,080	5,194,162	LORAIN	291,918,610	23,408,353
ASHLAND	64,096,580	4,480,227	LUCAS	289,786,700	27,087,472
ASHTABULA	109,313,250	8,269,051	MADISON	34,788,900	2,208,812
ATHENS	80,887,860	6,119,076	MAHONING	193,670,950	15,097,045
AUGLAIZE	26,669,310	1,584,268	MARION	59,647,050	3,959,921
BELMONT	71,960,900	4,306,545	MEDINA	111,527,980	9,942,300
BROWN	27,440,880	1,356,141	MEIGS	38,799,870	1,906,793
BUTLER	245,146,090	16,479,394	MERCER	24,231,220	1,384,267
CARROLL	40,439,560	2,102,980	MIAMI	63,431,660	4,420,497
CHAMPAIGN	31,196,190	1,929,323	MONROE	46,571,620	2,300,119
CLARK	89,223,690	6,211,803	MONTGOMERY	363,292,410	33,886,463
CLERMONT	274,686,180	18,479,715	MORGAN	53,181,560	2,824,842
CLINTON	36,223,980	1,907,619	MORROW	32,734,490	1,815,853
COLUMBIANA	80,843,000	4,652,468	MUSKINGUM	78,101,210	5,078,297
COSHOCTON	97,075,310	5,180,045	NOBLE	36,150,390	1,734,774
CRAWFORD	28,716,830	2,139,428	OTTAWA	120,915,300	7,157,922
CUYAHOGA	952,832,710	99,376,178	PAULDING	25,355,240	1,422,251
DARKE	55,305,600	2,700,192	PERRY	40,129,070	2,544,807
DEFIANCE	58,902,700	3,580,427	PICKAWAY	59,631,810	3,200,331
DELAWARE	142,727,630	10,684,900	PIKE	33,922,800	1,969,988
ERIE	72,786,890	5,846,777	PORTAGE	103,816,490	9,285,235
FAIRFIELD	104,236,090	7,612,887	PREBLE	39,286,760	2,101,101
FAYETTE	38,194,510	1,993,143	PUTNAM	27,913,110	1,424,434
FRANKLIN	818,178,840	79,250,606	RICHLAND	102,081,530	7,843,802
FULTON	45,221,150	3,254,803	ROSS	68,094,690	3,849,851
GALLIA	148,464,370	4,880,299	SANDUSKY	48,746,030	2,754,913
GEAUGA	74,862,590	7,035,408	SCIOTO	75,356,470	4,362,614
GREENE	103,103,410	7,994,644	SENECA	58,267,900	3,635,561
GUERNSEY	44,777,240	2,639,440	SHELBY	41,874,230	2,421,532
HAMILTON	745,869,180	67,204,971	STARK	274,006,710	21,048,888
HANCOCK	57,754,620	3,283,195	SUMMIT	328,390,690	28,397,732
HARDIN	25,673,180	1,541,711	TRUMBULL	150,141,120	10,910,238
HARRISON	20,646,770	1,242,594	TUSCARAWAS	71,154,330	4,389,159
HENRY	28,026,720	1,943,240	UNION	54,180,240	3,856,544
HIGHLAND	28,332,050	1,301,579	VAN WERT	21,650,110	1,428,671
HOCKING	49,550,180	3,018,717	VINTON	27,507,650	1,231,680
HOLMES	27,236,700	1,538,559	WARREN	156,725,190	12,057,775
HURON	39,057,980	2,288,919	WASHINGTON	131,309,050	6,880,176
JACKSON	44,439,170	1,906,510	WAYNE	72,254,480	5,276,666
JEFFERSON	218,676,990	11,750,846	WILLIAMS	28,809,640	1,945,529
KNOX	39,394,160	2,485,940	WOOD	95,634,220	7,427,235
LAKE	403,485,420	33,257,086	WYANDOT	15,185,910	774,276
LAWRENCE	59,582,600	2,155,801			
LICKING	130,243,180	7,967,652	**TOTAL**	**$10,142,270,940**	**$775,375,587**

Source: Assessed valuation and taxes levied figures are from abstracts filed by county auditors with the Department of Taxation.

Real Property

In tax year 2004, the assessed valuation of real property was nearly $202.6 billion, an increase of approximately 3.1 percent over the 2003 amount. Taxes on these values were distributed by county auditors to the local taxing authorities during calendar year 2005. Net taxes charged after the application of the reductions required by Ohio Revised Code section 319.301 were more than $11.2 billion for tax year 2004, an increase of 7.3 percent over 2003. This figure is before deductions of the tax rollback of 10 percent on all real property, as well as the homestead exemption and the 2.5 percent rollback for owner-occupied dwellings.

The state reimburses local governments for the full amount of the 2.5 and 10 percent rollbacks, as well as for the homestead exemption. The estimated amount of property tax relief for calendar year 2004 (reimbursed in 2005) was approximately $1,122.6 million for the 10 percent reduction, almost $71.0 million for the homestead exemption, and roughly $160.5 million for the 2.5 percent reduction. These figures do not include those taxpayers that filed late for the homestead and 2.5 percent reductions.

Under state law and Department of Taxation rules, real property in all counties is reappraised every six years and property values are updated in the third year following each sexennial reappraisal. The department compares the assessed taxable value to the sales price of properties, then uses these sales ratios to check the reappraisal process.

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, 5705.02-5705.05, 5705.19):

Real property tax rates vary with the taxing jurisdiction. The total tax rate includes all levies enacted by a legislative authority or approved by the voters for all taxing jurisdictions in which the property is located (e.g., county, township, municipality, school district, etc.). In 2004, the statewide average "gross" millage rate was 84.19 mills on residential and agricultural real property; and the statewide average "effective" millage rate on all real property was 55.49 mills. The difference between the gross and effective rate is due to the tax reduction factors, which generally prevent increases in voted taxes when the valuation of existing real property is increased (see **Credits**).

The Ohio Constitution prohibits governmental units from levying property taxes that in the aggregate exceed 1.0 percent of true value, unless the voters approve them. This is known in state law as the 10-mill limitation on nonvoted or "inside" millage. The inside mills are levied on taxable value — 35 percent of true value — creating a statutory limit of 0.35 percent, or nearly three times as strict as the 1.0 percent constitutional limitation.

Exemptions (R.C. 5709.07-18, 5709.25, 5713.23, 5713.31, 6111.34):

The Ohio Constitution requires real property (land and improvements) to be taxed by uniform rule according to value. Authorized exemptions implemented by statute include:

1. **General.** Real property of governmental or private institutional organizations on the grounds of ownership and/or usage (e.g., schools, charities, churches, municipal corporations, etc.) are generally exempted. Many other specific exemptions are provided for by the Revised Code.
2. **Farm Land.** Land devoted exclusively to commercial agricultural use may be valued according to current use instead of "highest and best" use. Such land must meet one of the following requirements for three years prior to the year in which application for the current use treatment is made:
   (a) ten acres or more must be devoted to commercial agricultural use; or
   (b) under ten acres must be devoted to commercial agricultural use and produce an average yearly gross income of at least $2,500. In addition, when the land is converted from agricultural use, a charge is levied on such land in an amount equal to the amount of tax savings on the converted land during the three tax years immediately preceding the year in which the conversion occurs.
3. **Forest Land.** 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.

Credits (R.C. 319.301, 319.302, 323.151-157):

1. **Percentage Rollbacks:** Under prior law, tax relief was granted in the form of a 10 percent reduction in each taxpayer's real property tax bill. Starting with tax year 2005, the 10 percent rollback will be applied to all real property that is <u>not</u> intended primarily for use in a <u>business activity</u>. For a complete discussion, see Amended Substitute House Bill 66, the two-year state budget bill for Fiscal Years 2006-2007, in **Recent Legislation**. In addition, a 2.5 percent rollback of real property taxes is granted on a homestead that is occupied by the homeowner. The state reimburses local governments for the cost of these tax credits.
2. **Tax Reduction Factors:** For purposes of the tax reduction factors, real property is divided into two classes: Class I for residential and agricultural property and Class II for all other real property. Separate percentage reductions are applied to taxes levied against each of these two classes when the value of existing real property in the class increases. These reduction factors remain in effect until there is an increase in the value of existing property (new

construction would not trigger a change in reduction factors). New reduction factors are calculated annually and applied. The computation of these percentage reduction factors involves the following:

(a) Tax reduction factors are calculated to eliminate the effect of an increase in the valuation of existing real property in a taxing unit (school district, county, municipality, etc.) on certain voted taxes.

(b) If the tax reduction factors result in an effective tax rate, for current expenses of a school district, of less than 20 mills on real property in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills. The reduction factors of joint vocational school districts are adjusted to yield a minimum of two effective mills on each class of real property.

These factors are applied to the taxes levied on real estate, including public utility real property. The result of these calculations yielded net taxes of approximately $11.2 billion in tax year 2004, as shown in the tax tables in this section.

3. **Homestead Exemption:** Property tax reductions are granted to qualified low-income homeowners who are at least 65 years of age or are permanently and totally disabled or to surviving spouses at least 59 years of age if the deceased spouse had previously received the exemption. The reduction is equal to the gross millage rate multiplied by the reduction in taxable value shown in the following schedule (for tax year 2005):

Total Income of Owner and Spouse	Reduce Taxable Value by the Lesser of:
$13,100 or less	$5,400 or 75%
More than $13,100 but not more than $19,200	$3,300 or 60%
More than $19,200 but not more than $25,400	$1,000 or 25%
More than $25,400	-0-

Since tax year 2000, the income brackets have been indexed for inflation. Beginning with tax year 2002, the dollar amount reductions in taxable value have also been indexed annually for inflation.

Total income for homestead exemption purposes is defined as federal adjusted gross income, plus social security and railroad retirement benefits; retirement, pension, annuity, or other types of retirement payments or benefits not included in federal adjusted gross income; and interest on federal, state, and local government obligations. Disability benefits paid by the U.S. Department of Veterans Affairs or a branch of the armed forces are excluded from total income, as are increases in social security benefits. All disability benefits included in federal adjusted gross income are excluded from total income up to $5,200. Disability benefits that are not included in federal adjusted gross income are excluded from total income. When the applicant who was receiving the homestead exemption because of disability reaches age 65, special rules apply that will exclude most of the retirement income.

Table 7 shows the number of homestead exemptions granted, the average reduction in real taxable value, and the total reduction in real property taxes for each county for tax year 2003. Totals for the state show that 223,835 exemptions were approved for tax year 2003. The average reduction in taxable value was $3,890 and the total reduction in property taxes was $68,754,186. Local governments are reimbursed in full for these reductions from the state's General Revenue Fund.

Homestead Exemption Example

The example below illustrates the computation of homestead exemption property tax relief for tax year 2005. For this example, assume that a senior citizen homeowner has the following characteristics:

(a) Total income of $15,000, consisting of $5,000 in wages, $5,000 in social security old age and survivors benefits, and $5,000 in dividends.

(b) A home with a market value of $50,000 and a taxable value of $17,500 (taxable value = 35 percent of market value).

(c) A local property tax rate of 50 mills (gross rate before tax reduction factors).

Since the homeowner is in the $13,100-$19,200 income bracket, the reduction in taxable value equals the lesser of $3,300 or 60 percent of taxable value. Since 60 percent of $17,500 is $10,500, the reduction in taxable value used to calculate this exemption is $3,300. The tax savings equals the $3,300 reduction in taxable value multiplied by the 50-mill tax rate, or $165.

Like all other real property taxpayers, the senior citizen homeowner in the example is entitled to a tax reduction factor which is applied against the property tax (assume a 15 percent reduction). Also, the homeowner is granted a 12.5 percent tax reduction (10 percent and 2.5 percent property tax rollbacks), which is reimbursed to the local governments from the state's General Revenue Fund. When these are considered, the computation of net property tax due is shown below:

Property tax before any reductions	=	$875.00
$17,500 taxable value x 50 mills		
Subtract tax reduction factor ($875 x 15%)		- 131.25
Net taxes levied after tax reduction factor	=	$743.75
Subtract 12.5% rollback (.125 x $743.75)		- 92.97
Net taxes before homestead	=	$650.78
Subtract homestead exemption ($3,300 x 50 mills)		- 165.00
Net property tax due	=	**$485.78**

Special Provisions

Manufactured Home Tax
(R.C. 4505.01, 4503.06, 4503.065):

1. The manufactured home is subject to an annual property tax. The assessed value of a manufactured home, if sitused in Ohio prior to January 1, 2000, is 40 percent of the amount derived by multiplying the greater of either the home's cost or market value at the time of purchase by a depreciation percentage (from one of two schedules). The tax is determined by applying the gross tax rate of the taxing district in which the home is sitused to the home's assessed value.
2. If a home was sitused or had ownership transferred on or after January 1, 2000, and it is not taxed as personal property, it is assessed at 35 percent of true value. This method of assessment also applies to homes sitused before January 1, 2000, if the owner made an election to have the home taxed like real property. The tax is determined by applying the effective tax rate to the assessed value and reducing the tax by 10 percent. Taxes may be reduced by an additional 2.5 percent if the home is owner-occupied. A homestead exemption is available for qualifying homeowners (see **Credits**). One-half of the amount of the annual tax is due by March 1 with the balance due by July 31. These dates are subject to extension in the same manner provided for real property (noted below). If the structure is taxable as personal property under R.C. 5709.01, it is not subject to the manufactured home tax. Travel trailers and park trailers that are unused or unoccupied and are stored at a qualified location are also not subject to the manufactured home tax.

Payment Dates (R.C. 323.12, 323.17):

December 31: At least one-half is due.
June 20: Balance due.

When the delivery of the tax duplicate is delayed for certain statutory reasons, the payment dates may be automatically extended for 30 days. Further extensions, not to exceed 15 days, may be granted for emergencies by application of the county auditor or treasurer to the Tax Commissioner. When an unavoidable delay occurs, an additional extension may be granted by application of both the county auditor and treasurer to the Tax Commissioner in order to avoid penalties to taxpayers.

Disposition of Revenue (R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.33, 321.34):

After local administrative fee deductions, revenue is distributed to the counties, municipalities, townships, school districts, and various special districts according to the taxable values and total millage levied by each.

Administration (R.C. 319.28, 5705.03, 5713.01, 5715.01, 5715.02, 5719.05):

The Tax Commissioner supervises the taxation of real property in the state and is charged with the duty of achieving uniformity in the taxation of real property. The county auditor is responsible for assessing all real property within the county. The auditor prepares the general tax list and duplicate. Using the duplicate, the county treasurer prepares property tax bills and is responsible for the actual collection of the tax. The county board of revision hears complaints on the assessment or valuation of real property. It may increase or decrease an assessment or order a reassessment.

Ohio Revised Code Citations:

Chapters 319, 321, 323, 4501, 4503, 5705, 5709, 5713, 5715, 5719, 6111.

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005; certain provisions effective September 29, 2005 and other dates).
R.C. 319.20 – State of Ohio Estimated Payments (effective September 29, 2005, by Section 612.03):
This provision allowed the State of Ohio to pay an estimated amount of real property taxes for the year of acquisition. That amount is deemed to be the state's tax liability for that year, if that proportionate amount is determined by the Tax Commissioner to represent the proportion of the year's taxes not subject to remission. Otherwise, additional tax may be charged in the future for that year.

R.C. 319.302 – 10 Percent Rollback (effective June 30, 2005 by Section 612.21 and first applied to tax year 2005 by Section 557.15):

(A) The 10 percent rollback will be applied to all real property that is <u>not</u> intended primarily for use in a <u>business activity</u>. Qualifying property includes property subject to the following uses: farming; leasing property for farming; occupying or holding property improved with single-family, two-family, or three-family dwellings; leasing property improved with single-family, two-family, or three-family dwellings; or holding vacant land that the county auditor determines will be used for farming or to develop single-family, two-family, or three-family dwellings.

(B) Exception: "farming" does <u>not</u> include land used for the commercial production of timber that is receiving the tax benefit under R.C. 5713.23 (Forestry Program) or R.C. 5713.31 (current agricultural use value, or CAUV) and all improvements connected with such commercial production of timber.

(C) Annual Review: a parcel's qualifying status is set on January 1 of each year. The county auditor is required to verify that status on an annual basis.

R.C. 5709.07 – Housing-Related Facilities for State Universities (effective June 30, 2005, by Section 612.21):
The amendment allowed for the exemption of housing for full-time students and housing-related facilities for students, faculty, or employees of a state university, and the underlying land, including common space, walkways, and green spaces for students, faculty, and employees, when certain conditions are satisfied. Housing-related facilities include parking facilities and common buildings used by the students, faculty, and employees of a state university. The leasing of the housing-related facilities is not deemed to be an activity with a view to profit. The buildings and land are supervised by, or under the control of, a nonprofit organization (Internal Revenue Code 501(c)(3)) pursuant to an agreement, entered into before June 30, 2004, between the organization and the state university, whereby the university will make payments to the organization sufficient to maintain the agreed-upon debt service related to the land and buildings. The state university must have had at least 25,000 students on its main campus during the academic year that began in 2003 and ended in 2004.

R.C. 5709.12 and 5709.121 – Historic Preservation Exemption (effective June 30, 2005 by Section 612.21):
R.C. 5709.121(B) provided that the property described in division (A)(1)(a), a community or area center in which presentations in music, dramatics, the arts, and related fields are made in order to foster public interest and education therein, will continue to be eligible for exemption if six conditions are met:

(1) the property has been exempt for the ten years immediately preceding a conveyance;
(2) the owner to which the property is conveyed leases the property to the entity that owned or occupied the property during the ten years immediately preceding the year of conveyance;
(3) the property contains improvements that are at least 50 years old;
(4) the property is being renovated to claim federal historic preservation tax credits;
(5) the property continues to be used for the purposes in division (A)(1)(a); and
(6) the property is certified by the U.S. Secretary of the Interior as a "certified historic structure" or part of one. The application for exemption may be filed either by the owner of the property or its occupant.

R.C. 5709.40, 5709.73, 5709.77, and 5709.78 and Section 557.17 – TIF Exemptions (effective dates: the R.C. sections are effective January 1, 2006 by Section 612.18; the uncodified section is effective June 30, 2005 by Section 615.03):

(A) R.C. 5709.40, 5709.73, and 5709.78 are amended to remove the requirement that the percentage exemption cannot exceed the estimated percentage of the additional demand placed on the public infrastructure improvements by the improvements exempted by the tax increment financing (TIF) exemption. However, a TIF ordinance/resolution of a municipality, township, or county adopted on or after January 1, 2006 for an incentive district, cannot exempt more than 25 percent of the subdivision's taxable value, if such subdivision has a population that exceeds 25,000. For a municipal or township TIF that exceeds ten years or 75 percent exemption, the subdivision must notify the county commissioners who can object to the excess over ten years and 75 percent and negotiate for compensation for the eleventh and subsequent years of the exemption. For a county TIF, the county must notify the municipality and township in the same situation.
(B) The amendments list six levies passed after January 1, 2006, whose revenue will not be distributed to the subdivision granting the TIF, but rather to the subdivision who enacted the levy (community mental retardation and developmental disabilities programs and services; providing or maintaining senior citizens services or facilities; county hospitals; alcohol, drug addiction, and mental health services; library purposes; and support of children's services and the placement and care of children). The uncodified section provides that the amended TIF section provisions do not apply to existing TIF projects, if the TIF project agreements are completed on or before December 31, 2005, or bonds are issued for those projects on or before December 31, 2005.

Sub. H.B. 414, 125th General Assembly (effective May 18, 2005). R.C. 931.01-931.09, and 931.99:
The bill allowed for the creation of an agricultural security area (ASA) in the unincorporated area of a township or county to limit development within that area and provided for certain exemptions related to the ASA.

R.C. 931.02 – Basic Qualifications:

(A) To get into an ASA, the property owner must apply, on a form prescribed by the Ohio Director of Agriculture, to the township trustees of each township and to the county commissioners of each county in which the land is located. The application must include a map of the proposed ASA containing certain aspects.
(B) The land forming the ASA must meet the following criteria:
  (1) the area consists of not less than 500 acres;
  (2) the land is in an agricultural district under Ch. 929;
  (3) the land is valued and assessed under the current agricultural use valuation (CAUV) program (land that is a portion of a farm on which is located a dwelling, yard, or outbuildings such as a barn or garage shall count toward the 500-acre requirement and be included in the ASA);
  (4) the applications must be approved by all the boards of township trustees and all the boards of county commissioners of all the townships and all the counties in which the land is located.
(C) Two or more owners of contiguous farmland may aggregate the land to satisfy the 500-acre requirement. Each owner may submit a separate application with the required map to all townships and counties involved, or all the owners collectively may submit one application for the entire ASA.
(D) The application must contain a statement by the applicant that the applicant will not initiate or finance any new development for nonagricultural purposes within the ten-year enrollment period, except as authorized in R.C. 931.04(A) (see discussion below). New development includes transferring ownership of a property interest in the land. New development does not include taking any action authorized under property rights in the land, such as mineral rights or easements, that were transferred to a person other than the applicant before the application was submitted. New development also does not

include the construction or operation of transmission lines for electricity, gas, or oil, provided the construction or operation does not cause the land to become ineligible for CAUV purposes.

(E) The application must include a listing of all administrative enforcement orders, and all civil and criminal actions during the ten years preceding the submission of the application in connection with any violation of environmental laws.

(F) The application must contain a statement from a federal, state, or local conservation professional that the applicant is complying with best management practices at the time of the application.

(G) The application submitted under this section is a public record.

R.C. 931.04 – Owner's Options:

With approval of the appropriate township and county, an owner of land in an ASA may operate any business that does not impair the owner's ability to engage in agriculture. An owner may transfer ownership of a portion of the land within the ASA to establish a single-family residence for an individual who is related by blood or marriage to the owner. Only one such residence shall be constructed per each 40 acres of the owner's land within the ASA. The amount of land used for either of the two purposes mentioned above shall be included when determining the acreage requirement for the ASA.

R.C. 5709.28 – Real Property Tax Exemption:

(A) "Qualifying agricultural real property" – means a building, structure, improvement, or fixture, used exclusively for agricultural purposes, located on land enrolled in an ASA, and having a true value of $25,000 or more.

(B) A percentage of the taxable value of qualifying agricultural real property (QARP) first appearing on the tax list in a tax year during which the land is enrolled in an ASA may be exempted from taxation. The board of township trustees of each township and the board of county commissioners of each county in which the land is located shall reach an agreement concerning the percentage of the QARP's taxable value to be exempted and the number of years the exemption will apply. The exemption cannot exceed 75 percent and cannot apply to a year in which the land is not enrolled in an ASA. However, the agreement can specify that the exemption can extend past the expiration of the current ASA, if the ASA is renewed and enrollment continues during the tax years that the exemption applies. Moreover, the agreement may establish the maximum amount of value of the QARP that can be exempted. When the agreement is reached, the boards shall send written notice of the agreement to the superintendent of each school district within the ASA. The QARP will become exempt in the tax year following the year in which the construction is completed. The owner may subsequently request the applicable boards to alter the agreement and increase that maximum value. The agreement shall be reviewed annually by the tax incentive review council under R.C. 5709.85.

(C) Each time a renewal application is filed for an ASA that involves QARP, whose exemption had expired on or before the date of expiration of the previous ASA, the applicable boards shall reach a new agreement concerning the exemption before any of the boards adopts a resolution either approving or rejecting the application.

(D) An ASA application shall not be filed with the Tax Commissioner under R.C. 5715.27 with respect to the exemption. Rather, the county auditor shall enter on the exempt list under R.C. 5713.07 any QARP that was exempted under this section. The auditor shall remove QARP from the exempt list when the auditor determines that a withdrawal, removal, or conversion has occurred that makes the QARP no longer eligible for exemption.

(E) If the county auditor removes QARP from the exempt list because of a withdrawal, removal, or conversion under R.C. 931.08 for a taxpayer that claimed a real property tax exemption for a prior tax year, the amount of the tax otherwise imposed on the QARP that was exempted shall be increased. The amount of the increase shall equal the aggregate value of the tax exemption received by the taxpayer under this section since the ASA was most recently established or renewed, plus interest at the average bank prime rate determined under R.C. 929.02, at the time the county auditor removes the property from the exempt list.

(F) If the auditor's discovery or determination occurs before the auditor delivers the tax duplicate to the treasurer, the increase will occur in the same tax year as the discovery or determination. If the auditor's discovery or determination occurs after the auditor delivers the tax duplicate to the treasurer, the increase will occur in the tax year following the year of discovery or determination.

R.C. 5709.85 – Tax Incentive Review Council:

Under division (C) of this section, the tax incentive review council will annually review an exemption agreement entered into under R.C. 5709.28. The council shall determine whether the agreement complies with requirements of R.C. 5709.28 and whether a withdrawal, removal, or conversion of land has occurred, which would make the property no longer eligible for the exemption.

Sub. H.B. 362, 125th General Assembly (effective March 31, 2005). R.C. 5705.192 and 5705.21, and Section 4:

The bill amended school district permanent improvement levies. First, the bill renames "general, ongoing permanent improvements" to "general permanent improvements." Thus, an existing levy for "general, ongoing permanent improvements" can be renewed or replaced with a levy for "general permanent improvements," since both expressions are considered to be stating the same purpose. Second, the bill specifically allows a school district to renew or replace an existing specific permanent improvement levy with a levy for general permanent improvements.

Section 3:

(A) To mitigate the consequences of the decision in *Cleveland Clinic Foundation v. Wilkins*, 103 Ohio St.3d 382 (2004), the General Assembly enacted this amnesty-type provision. If an exemption application was dismissed because all the taxes, assessments, interest, and penalties that could not be remitted by the Tax Commissioner were not paid at the time the application was filed, the owner could have refiled by July 1, 2005 under this provision, allowing the Tax Commissioner to cover those years that he could have covered under the previously denied application.

(B) For the Tax Commissioner to have jurisdiction over the refiled application, the owner must pay those unpaid taxes, assessments, interest, and penalties before refiling, attach the county treasurer's

certificate to that application stating such payment was made, and attach the commissioner's final determination that dismissed the previous application to the refiled application. If the property is not now being used for an exempt purpose for the year the refiled application is filed (tax year 2005), the Tax Commissioner must deny the application, even if the property was used for an exempt purpose for the years covered by the previous application.

(C) Caveat: As under permanent law, the Tax Commissioner can only exempt the current year (year of application) and three prior years on his own, which under this amnesty refiling would be tax years 2002 to 2005. However, for the Tax Commissioner to remit tax years 2001 and prior, the owner must get the consent from the subdivision or other taxing unit to which such taxes, assessments, interest, and penalties are owed. Non-action by the subdivision is deemed to be consent. If a subdivision wants to object and withhold its consent, it must have passed a resolution to that effect, on a form prescribed by the Tax Commissioner (DTE Form 23C), and filed it with the county auditor by February 15, 2005. The auditors notified the subdivisions of this option by January 15, 2005. After the Tax Commissioner issues a final determination for each of the eligible years covered by the refiled application, the auditor shall refund, remit, or abate the taxes for which consent has been given and shall distribute to the appropriate subdivisions or taxing units those taxes for which consent was withheld.

Sub. Senate Bill 165, 125th General Assembly (effective March 23, 2005). R.C. 725.04, 1728.11, 1728.111, 3735.671, 5709.631, and 5709.831:
These sections created liens for the service payments and service charges assessed in lieu of taxes for urban renewal, community urban redevelopment corporation, community reinvestment area, enterprise zone, and municipal, township, and county tax increment financing exemptions. These liens may be perfected, collected, and enforced by the granting legislative authority in the same manner as a mortgage lien on real property.

Sub. S.B. 102, 125th General Assembly (effective August 6, 2004). R.C. 4781.01 to 4781.15:
This new chapter created the Ohio Manufactured Homes Commission, which will regulate the installation of manufactured housing, including the licensing and training of the installers. The commission also has the exclusive power to determine the proper permanent foundation to which a manufactured or mobile home may be affixed.

Am. Sub. H.B. 135, 125th General Assembly (effective July 20, 2004).
This bill amended many sections in Chapter 5311 of the Ohio Condominium Law. These sections extensively change the practice and procedures for the development, conversion, and expansion of condominium property.

Am. Sub. H.B. 16, 126th General Assembly (effective May 6, 2005). R.C. 5709.75(D):
A township was permitted to expend unencumbered money in its township public improvement tax increment equivalent fund to pay for current public safety expenses of the township if it meets the following conditions:

(1) it expends such money on or before January 1, 2007;
(2) it had adopted a tax increment financing (TIF) resolution under R.C. 5709.73(B) before January 1, 1995; and
(3) it is a party to a hold-harmless agreement with the board of education of a city, local, or exempted village school district whereby the township agrees to compensate the school district for 100 percent of the tax revenue it would have received were it not for the TIF exemption. The township must reimburse the TIF equivalent fund for the money appropriated for public safety not later than the day the TIF exemption expires.

R.C. 5709.91:
Under this amendment, "minimum service payment obligations" become a lien on the land to be collected and enforced in the same manner as taxes on the land. A "minimum service payment obligation" is an obligation of a person to a county, township, or municipality pursuant to an agreement between them for the person to pay to the subdivision sufficient funds to finance public infrastructure improvements or housing renovations under a county, township, or municipal TIF exemption.

R.C. 5715.70:
A county board of revision may release a lien imposed on real property, if all the following apply:

(1) the lien has been in existence for at least five years;
(2) the lien represents a debt for the cost of environmental cleanup of the property paid with state or local government funds;
(3) the amount of the lien is at least 12 times the fair market value of the property; and
(4) the board determines the debt is uncollectible. The county treasurer will sign the release and deliver it to the property owner.

R.C. 5715.701:
The county recorder will discharge the lien under R.C. 5715.70 upon presentation of the release and keep the release in a separate book for that purpose. The recorder is entitled to fees for such recording.

Recent Significant Court Decisions:

Cleveland Clinic Foundation v. Wilkins, 103 Ohio St.3d 382 (2004).
The Supreme Court held, in a unanimous decision, that R.C. § 5713.08 does not permit the Tax Commissioner to consider an exemption application that has attached to it a certificate of the county treasurer that shows unpaid special assessments.

The court summarized and interpreted the language in R.C. 5713.08(A)(1) as follows:

> R.C. 5713.08(A)(1) requires all taxes, assessments, interest, and penalties to be paid in full at the time an application for exemption is filed, except for such taxes, interest, and penalties that may be remitted under R.C. 5713.08(B). Therefore, while taxes, interest, and penalties that may be remitted under R.C. 5713.08(B) need not be shown as paid in full on the treasurer's certificate, there is no comparable provision that assessments do not need to be paid in full. As a result, the treasurer's certificate submitted with the application for exemption must show the

assessments, interest, and penalties as being paid in full. If the assessments, interest, and penalties are not shown as being paid in full on the treasurer's certificate, the Tax Commissioner cannot consider the attached application for exemption.

Even though the case is decided on the issue of unpaid assessments, the same statutory procedures in R.C. 5713.08 that apply to assessments apply equally well to taxes, as indicated by the court's interpretation. In other words, all taxes, assessments, penalties, and interest that cannot be remitted must be paid in full or subject to a payment plan at the time the exemption is filed, and the county treasurer's certificate must so indicate, for the Tax Commissioner to have jurisdiction over the application.

Performing Arts School of Metropolitan Toledo v. Wilkins, 104 Ohio St.3d 284 (2004).
The Supreme Court opinion construes R.C. 5715.27 and presents two major holdings. The Performing Arts School (PAS) leases the property from Gomez Enterprises (Gomez), a for-profit limited partnership. In January 2000, the PAS filed an application for exemption with the Tax Commissioner. Gomez added its name to the PAS's application in September 2001.

1. Under R.C. 5715.27(A), the "owner" of real property may file an application for exemption with the Tax Commissioner. The term "owner" is not defined for purposes of R.C. 5715.27. The court stated that it had previously held in *Victoria Plaza Ltd. Liab. Co. v. Cuyahoga County Bd. of Revision*, 86 Ohio St.3d 181 (1999), that "only a holder of legal title owns real property for the purpose of standing to file a tax valuation complaint under R.C. 5715.19." The court said further:

   > In rejecting an argument analogous to that presented by PAS, we stated, "[T]o be the *owner* of real property, the person must hold legal title to the property, not simply an equitable interest in the property." . . . We concluded that "the owner of an equitable interest in real property does not have standing to file a complaint." . . . Though Victoria Plaza does not address the specific question at issue herein, it addresses the same term within the same chapter of the Revised Code. We choose to apply a consistent definition within R.C. Chapter 5715. Accordingly, "owner" as used in R.C. 5715.27 refers only to a legal title holder of the real property for which a tax exemption is sought.

2. Under R.C. 5715.27(F), an application for exemption must be filed prior to December 31 of the tax year for which exemption is requested. Since the property owner, Gomez, was not added to the PAS's application until September 2001, which was after the filing deadline for tax year 2000, the jurisdictional defect of lack of standing to file was not cured by the owner's joining the application.

Funtime, Inc. v. Wilkins, 105 Ohio St.3d 74 (2004).
The Supreme Court determined whether amusement-park rides were real or personal property under R.C. 5701.02 and 5701.03 for purposes of the sales and use tax provisions. The holding that the rides were personal property is also applicable to property taxation. R.C. 5701.02 defines real property to include "land itself . . . with all things contained therein, and, unless otherwise specified in this section or in 5701.03 . . . all buildings, structures, improvements, and fixtures of whatever kind on the land . . . ."

Under R.C. 5701.03 personal property includes a business fixture, which "means an item of tangible personal property that has become permanently attached or affixed to the land or to a building, structure, or improvement, and that primarily benefits the business conducted by the occupant on the premises and not the realty."

The court rejected Funtime's approach, which contended that property could only be a business fixture, if it were not a structure, building, or improvement to a building. This would result in the property being classified as real property, even if it were otherwise specified as personal property in R.C. 5701.03.

The court outlined the order of application to harmonize the two statutes:
(1) determine whether the property meets one of the definitions of real property in R.C. 5701.02;
(2) if it does not, then it is personal property;
(3) if it does, then it is real property, unless otherwise specified in R.C. 5701.03;
(4) if it is otherwise specified in R.C. 5701.03, then it is personal property.

The court offers some guidance in determining whether a building, structure, or improvement primarily benefits the business conducted by the occupant on the premises or primarily benefits the realty. For the fixture to be taxed as real property and not as personal property being a business fixture, "the annexed chattel must have such relationship to the land or improvements already constructed thereon as to be necessary or beneficial to its enjoyment, independent of the business presently carried on." Examples given of such fixtures were a farm silo, a heating furnace in a residence, and motive-power equipment in a mill. "Those fixtures are taxed as real property because they would be beneficial, if not necessary, to the use of the land and the structures already placed thereon regardless of the nature of the business which might be located on such land." Regarding the amusement-park rides, the court stated: "There was no evidence that the rides would be of any benefit to a buyer of the land who engaged in a different business."

Case Western Reserve Univ. v. Wilkins, 105 Ohio St.3d 276 (2005).
The Supreme Court held that property owned by a university and leased to a sorority for the exclusive use of its members as student housing is not exempt from real property taxation under either R.C. 5709.12 and 5709.121 or R.C. 5709.07, since such use is neither a charitable nor an educational use of the property.

Ferrone v. Medina County Bd. of Revision, 105 Ohio St.3d 415 (2005).
The Supreme Court held that the county auditor's decision to tax forest land under R.C. 5713.23 by multiplying 50 percent of the forest land's value by 100 percent of the local tax rate produced the same result as multiplying the full value of forest land by 50 percent of the local tax rate, sought by Ferrone. Moreover, the court stated that the auditor's calculation "is just what the General Assembly intended under R.C. 5713.23, which calls for forest land to be taxed at 'fifty per cent of the local tax rate.'" Note: as a practical and constitutional matter, for the auditor to apply a uniform tax rate

to Ferrone's parcel, consisting of both forested and nonforested land, the auditor must first reduce the value of the forested part by 50 percent to get the result required by R.C. 5713.23.

City of Parma Heights v. Wilkins, 105 Ohio St.3d 463 (2005).
The Supreme Court held that a city-owned ice-skating rink that was leased to a for-profit entity was taxable because the $60,000 annual rental fee was not de minimis, *a la Whitehouse v. Tracy*, 72 Ohio St.3d 178 (1995), and *Board of Educ. of South-Western City Schools v. Kinney*, 24 Ohio St.3d 184 (1986), and the city relinquished operation, management, and control.

Recent Rule Changes:

Effective November 18, 2004, rule 5703-25-08 of the Division of Tax Equalization was amended to provide blanket approval to a county auditor to appoint and employ experts, deputies, clerks, or other employees in the performance of the auditor's duties as assessor and to enter into assessment-related contracts that are not for appraisal services without seeking the Tax Commissioner's approval by application. Contracts for appraisal services must still be submitted to the Tax Commissioner for approval by application.

Effective November 18, 2004, rules 5703-25-55 and 5703-25-56 of the Division of Tax Equalization were amended to comply with statutory amendments enacted by Am. Sub. S.B. 142 (122nd General Assembly), Am. Sub. H.B. 672 (123rd General Assembly), and Am. Sub. H.B. 95 (125th General Assembly).

Recent Forms:

DTE form 23, Application for Real Property Tax Exemption and Remission, was revised in April 2005.

DTE form 23B, Complaint Against the Continued Exemption of Real Property from Taxation, was prescribed in April 2005.

DTE form 23C, A Resolution or Ordinance Withholding Consent for the Remission of Taxes, Penalties and Interest on an Application for Real Property Tax Exemption Filed Under Section 3 of Sub. H.B. 362 of the 125th General Assembly, was prescribed in December 2004.

DTE form 24, Tax Incentive Program — Application for Real Property Tax Exemption and Remission, was revised in April 2005.

DTE form 24P, Tax Incentive Program — Power of Attorney for Real Property Tax Exemption Application, was prescribed in April 2005.

Recent Journal Entries and Memoranda:

Tax Commissioner's Journal Entry No. 04-08-0325 — Prescribes the form and content of the tax bill for manufactured and mobile homes for tax year 2005; entered August 24, 2004.

Tax Commissioner's Journal Entry No. 04-08-0324 — Prescribes the form and content of the real property tax bill for tax year 2004; entered August 24, 2004.

Tax Commissioner's Journal Entry No. 04-08-0326 — Prescribes the form and content of the county auditor's tax list and county treasurer's duplicate of real and public utility property for tax year 2004, and thereafter; entered August 24, 2004.

Memorandum — To all county auditors and treasurers, explaining the amendments enacted by Am. Sub. H.B. 168 (125th General Assembly) to property tax administration and tax certificate law, issued July 8, 2004.

Memorandum — To all county auditors and treasurers, notifying them of the newly created Ohio Manufactured Homes Commission, which will regulate the installation of manufactured housing, including licensing and training of the installers, issued August 4, 2004.

Memorandum — To all county auditors, explaining the renewal and replacement of property tax levies, issued June 6, 2005.

Table 1
Assessed Value of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief, Tax Years 2000 - 2004

	2000	2001	2002	2003	2004
Value of Taxable Property	$167,857,657,350	$173,975,282,762	$186,756,854,520	$196,583,301,381	$202,591,836,961
Residential & Agricultural	127,327,060,770	132,036,957,842	142,544,497,300	151,127,413,080	156,078,137,391
Other(a)	40,530,596,580	41,938,324,920	44,212,357,220	45,455,888,301	46,513,699,570
Taxes Charged (b)	8,697,809,112	9,183,387,507	9,807,854,075	10,473,581,729	11,242,570,059
Residential & Agricultural	6,358,837,177	6,719,265,594	7,217,105,610	7,747,678,792	8,346,325,594
Other(a)	2,338,971,935	2,464,121,913	2,590,748,465	2,725,902,937	2,896,244,464
Average Effective Tax Rate (c)	51.82 mills	52.79 mills	52.52 mills	53.28 mills	55.49 mills
Residential & Agricultural	49.94 mills	50.89 mills	50.63 mills	51.27mills	53.48 mills
Other(a)	57.71 mills	58.76 mills	58.60 mills	59.97 mills	62.27 mills
10% Reduction in all Real Property Taxes	$869,714,189	$906,944,834	$984,682,415	$1,047,877,702	$1,122,563,687
2.5% Reduction in Homeowner's Real Property Taxes	121,318,800	128,186,729	138,287,112	149,435,621	160,466,814
Homestead Exemption Reduction(d)	65,155,602	63,980,939	64,841,272	67,951,739	70,956,437
Net Taxes Collectible (after 12.5% Reduction & Homestead Exemption)	**$7,641,620,520**	**$8,084,275,006**	**$8,620,043,276**	**$9,209,719,664**	**$9,888,583,121**

(a) Includes commercial, industrial, mineral, and public utility property.
(b) Net taxes charged after application of percentage reductions required by R.C. 319.301.
(c) Taxes charged divided by value of taxable property.
(d) These figures exclude those taxpayers that filed late for the tax reduction and the administrative fees associated with this program.

Table 2
Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County, Tax Year 2004

County	Residential & Agricultural Gross Rate (a)	Residential & Agricultural Net Rate (b)	Public Utility, Commercial, Industrial & Mineral Gross Rate (a)	Public Utility, Commercial, Industrial & Mineral Net Rate (b)
ADAMS	48.01	37.89	47.02	41.93
ALLEN	56.58	44.62	56.38	46.22
ASHLAND	73.58	45.52	76.10	53.62
ASHTABULA	75.94	50.21	76.91	56.56
ATHENS	82.93	54.28	89.58	62.36
AUGLAIZE	60.61	43.74	61.23	50.71
BELMONT	62.03	42.03	61.16	44.66
BROWN	48.20	36.86	49.63	41.03
BUTLER	71.46	57.19	71.52	52.84
CARROLL	54.33	38.87	55.25	41.35
CHAMPAIGN	59.92	40.00	67.28	47.02
CLARK	69.06	47.80	69.01	53.03
CLERMONT	85.41	52.58	84.12	56.43
CLINTON	53.77	38.77	52.91	46.34
COLUMBIANA	57.42	41.16	58.47	44.01
COSHOCTON	62.19	42.93	63.21	47.60
CRAWFORD	76.44	46.57	77.22	58.63
CUYAHOGA	111.19	66.93	102.99	75.22
DARKE	49.41	36.90	51.56	40.83
DEFIANCE	59.48	44.04	60.88	47.18
DELAWARE	76.67	52.22	79.02	54.32
ERIE	80.91	42.92	83.41	55.25
FAIRFIELD	81.55	44.70	84.13	44.73
FAYETTE	53.94	41.55	55.93	44.06
FRANKLIN	99.48	61.22	94.86	67.76
FULTON	73.05	48.90	70.50	50.86
GALLIA	38.54	31.79	37.38	31.56
GEAUGA	96.80	53.38	97.11	59.51
GREENE	79.99	56.37	79.87	57.33
GUERNSEY	58.86	46.94	60.54	51.54
HAMILTON	92.57	58.82	90.28	67.25
HANCOCK	59.13	38.52	60.13	49.49
HARDIN	60.74	45.99	59.78	46.80
HARRISON	59.19	39.90	60.19	46.11
HENRY	71.29	52.42	72.57	66.39
HIGHLAND	45.94	37.45	45.65	39.09
HOCKING	60.89	44.93	60.85	47.34
HOLMES	53.81	43.04	54.01	45.91
HURON	59.04	38.62	61.28	42.59
JACKSON	45.24	41.19	47.15	44.61
JEFFERSON	58.69	39.26	58.08	48.83
KNOX	63.79	46.41	60.19	49.89
LAKE	91.18	50.66	88.84	59.71
LAWRENCE	36.46	32.21	36.94	32.72
LICKING	65.17	45.96	62.61	49.20
LOGAN	62.60	42.07	62.81	45.72
LORAIN	78.24	48.55	78.23	56.17
LUCAS	98.77	57.06	96.09	72.57
MADISON	64.83	47.85	65.74	52.88
MAHONING	79.51	55.29	81.24	61.57
MARION	65.86	44.28	67.20	50.38
MEDINA	91.33	48.56	91.58	50.70
MEIGS	47.40	39.13	49.54	45.72
MERCER	57.43	48.86	57.10	52.16
MIAMI	69.04	43.39	69.01	47.88
MONROE	50.12	31.66	49.62	41.51
MONTGOMERY	95.46	63.63	93.31	71.55
MORGAN	51.02	35.47	52.37	40.66
MORROW	54.81	42.65	59.43	48.07
MUSKINGUM	65.73	42.39	66.97	45.25
NOBLE	47.96	35.15	47.88	40.45
OTTAWA	68.92	37.55	66.35	41.43
PAULDING	59.78	48.27	65.18	50.91
PERRY	63.67	46.72	64.61	53.09
PICKAWAY	54.61	41.18	55.95	44.40
PIKE	62.10	44.91	68.18	51.25
PORTAGE	90.09	48.20	90.82	56.29
PREBLE	53.20	40.79	55.34	43.51
PUTNAM	50.34	41.63	48.65	44.39
RICHLAND	75.92	49.43	77.08	61.35
ROSS	56.44	40.35	58.95	43.58
SANDUSKY	56.79	39.49	53.47	41.08
SCIOTO	59.10	43.16	61.90	45.92
SENECA	62.90	41.17	67.09	56.19
SHELBY	59.33	43.88	60.96	48.82
STARK	78.51	47.89	77.50	55.23
SUMMIT	85.58	54.41	84.30	60.29
TRUMBULL	71.67	49.95	70.26	56.14
TUSCARAWAS	64.18	41.09	65.36	46.50
UNION	72.06	52.10	73.67	59.73
VAN WERT	66.70	47.86	69.07	61.95
VINTON	46.22	43.09	48.43	46.12
WARREN	79.31	48.85	81.00	53.47
WASHINGTON	54.48	39.17	54.76	41.30
WAYNE	73.89	48.23	80.62	60.14
WILLIAMS	69.55	43.38	70.51	48.25
WOOD	81.08	51.47	81.54	56.72
WYANDOT	52.14	32.74	50.08	34.36
STATEWIDE AVERAGE (c)	**84.22**	**53.48**	**85.76**	**62.27**

(a) Rate on property prior to application of tax reduction factors. Gross rate equals taxes levied divided by taxable value.

(b) Rate on property in the county after application of tax reduction factors. These rates were computed prior to the deduction of the property tax rollbacks and homestead exemption. Net rate equals taxes charged divided by taxable value.

(c) For the two combined classes of real property, the statewide average gross rate is 84.19 mills and the statewide average net rate is 55.49 mills.

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 3
Total Real Property Taxes, Values, and Effective Tax Rates, By County, Tax Year 2004

County	Taxable Value	Gross Taxes Levied	Taxes Charged(a)	Special Assessments	Effective Tax Rate(b)
ADAMS	$325,272,010	$15,524,619	$12,692,842	$17,536	39.02
ALLEN	1,476,376,650	83,464,516	66,446,761	2,745,509	45.01
ASHLAND	765,339,400	56,603,894	35,783,834	35,742	46.76
ASHTABULA	1,417,788,540	107,930,911	72,917,503	2,225,690	51.43
ATHENS	634,450,050	53,528,845	35,548,641	566,077	56.03
AUGLAIZE	683,441,470	41,495,206	30,728,580	734,122	44.96
BELMONT	787,861,230	48,692,559	33,644,444	208,865	42.70
BROWN	532,630,910	25,743,100	19,839,792	495,373	37.25
BUTLER	6,379,143,280	455,915,930	358,606,450	8,401,974	56.22
CARROLL	429,372,160	23,371,794	16,807,489	16,959	39.14
CHAMPAIGN	587,009,080	35,702,828	23,988,711	58,375	40.87
CLARK	2,043,178,610	141,087,231	99,821,367	412,334	48.86
CLERMONT	3,339,934,710	284,323,209	178,435,733	3,184,995	53.42
CLINTON	655,819,260	35,132,771	26,551,086	317,097	40.49
COLUMBIANA (c)	1,365,948,720	78,659,533	56,855,013	0	41.62
COSHOCTON	478,900,810	29,887,328	21,031,307	36,578	43.92
CRAWFORD	568,733,540	43,545,212	27,568,980	139,112	48.47
CUYAHOGA	27,219,908,800	2,962,290,281	1,886,903,716	40,113,392	69.32
DARKE	778,745,200	38,707,118	29,157,875	337,448	37.44
DEFIANCE	537,183,530	32,086,437	23,959,062	802,082	44.60
DELAWARE	4,504,076,950	346,758,862	236,486,078	1,674,042	52.50
ERIE	1,686,857,160	137,350,344	76,654,791	1,638,036	45.44
FAIRFIELD	2,622,376,970	214,938,709	117,241,199	981,539	44.71
FAYETTE	421,709,690	22,912,518	17,732,310	947,528	42.05
FRANKLIN	22,267,163,740	2,182,444,048	1,409,523,071	35,586,468	63.30
FULTON	723,768,910	52,520,360	35,663,739	948,502	49.28
GALLIA	360,854,540	13,787,531	11,446,775	32,422	31.72
GEAUGA	2,504,162,800	242,482,081	135,284,611	1,697,980	54.02
GREENE	2,925,244,160	233,931,406	165,429,725	1,870,316	56.55
GUERNSEY	441,288,680	26,128,411	21,135,400	148,315	47.89
HAMILTON	16,220,760,940	1,490,948,548	993,178,953	43,970,893	61.23
HANCOCK	1,315,607,420	78,064,857	53,637,634	938,620	40.77
HARDIN	354,077,150	21,455,139	16,324,831	985,930	46.11
HARRISON	174,431,730	10,352,925	7,136,393	26,756	40.91
HENRY	426,344,420	30,458,124	23,061,816	556,634	54.09
HIGHLAND	525,480,880	24,120,448	19,796,754	547,890	37.67
HOCKING	420,539,100	25,606,504	19,010,547	40,894	45.21
HOLMES (c)	616,062,910	33,174,657	26,844,294	0	43.57
HURON	865,105,920	51,399,473	33,982,896	278,148	39.28
JACKSON	318,504,570	14,548,265	13,369,716	3,177	41.98
JEFFERSON	785,271,380	45,982,483	32,494,914	367,103	41.38
KNOX	852,863,490	54,006,657	39,965,774	848,698	46.86
LAKE	5,464,239,340	495,402,076	287,678,019	8,493,568	52.65
LAWRENCE	621,275,850	22,697,463	20,055,820	63,334	32.28
LICKING	2,908,417,730	188,360,945	135,153,247	1,789,046	46.47
LOGAN	$806,899,800	$50,543,710	$34,465,790	$670,480	42.71
LORAIN	5,378,504,680	420,827,723	268,533,741	2,642,652	49.93
LUCAS	7,594,741,500	745,167,861	462,004,819	28,768,223	60.83
MADISON	621,651,580	40,388,068	30,206,620	794,297	48.59
MAHONING	3,310,235,980	264,501,157	187,756,675	2,290,971	56.72
MARION	838,596,280	55,455,255	38,143,400	952,044	45.48
MEDINA	3,866,541,600	353,269,730	189,075,939	2,232,635	48.90
MEIGS	225,159,050	10,761,036	9,086,125	2,057	40.35
MERCER	631,003,710	36,210,154	31,088,520	584,489	49.27
MIAMI	1,773,400,230	122,420,007	78,389,282	1,132,350	44.20
MONROE	182,537,020	9,132,459	6,109,248	109,518	33.47
MONTGOMERY	8,756,010,240	831,205,286	574,352,530	24,425,913	65.60
MORGAN (c)	168,094,580	8,613,300	6,105,005	0	36.32
MORROW	474,691,320	26,209,117	20,467,631	161,888	43.12
MUSKINGUM	1,164,021,180	76,825,072	50,073,650	1,331,448	43.02
NOBLE	141,205,410	6,770,418	5,057,428	1,520	35.82
OTTAWA	1,290,701,530	88,358,487	49,363,166	2,582,794	38.25
PAULDING	246,216,740	14,902,274	11,974,935	412,119	48.64
PERRY	338,199,180	21,568,924	16,043,853	53,423	47.44
PICKAWAY	776,137,020	42,537,545	32,333,060	179,669	41.66
PIKE	233,082,640	14,712,988	10,716,253	20,322	45.98
PORTAGE	2,788,321,250	251,574,967	138,659,033	1,478,645	49.73
PREBLE	622,233,470	33,267,533	25,590,029	2,044,925	41.13
PUTNAM	481,417,630	24,157,124	20,163,762	404,152	41.88
RICHLAND	1,728,545,700	131,652,169	89,701,234	1,506,871	51.89
ROSS	889,090,770	50,602,000	36,423,169	265,810	40.97
SANDUSKY	929,150,500	52,190,169	36,967,715	321,221	39.79
SCIOTO	721,508,230	43,050,633	31,541,707	321,074	43.72
SENECA	743,368,850	47,277,529	32,458,993	425,815	43.66
SHELBY	769,167,240	45,910,620	34,591,306	770,350	44.97
STARK	6,175,985,640	483,594,744	305,053,764	298,450	49.39
SUMMIT	10,744,120,150	916,365,564	598,801,598	1,978,201	55.73
TRUMBULL	2,892,550,290	206,513,218	147,961,754	19,155,610	51.15
TUSCARAWAS	1,396,211,240	89,945,571	58,930,968	1,289,215	42.21
UNION	958,120,671	69,371,890	51,499,598	251,766	53.75
VAN WERT	375,520,900	25,163,206	18,668,868	793,146	49.71
VINTON	120,573,230	5,601,951	5,235,525	1,059	43.42
WARREN	4,418,501,400	351,770,858	219,467,356	4,851,137	49.67
WASHINGTON	844,350,690	46,057,876	33,491,005	259,537	39.66
WAYNE	1,729,771,810	130,138,168	87,538,797	660,681	50.61
WILLIAMS	558,922,270	38,972,125	24,750,691	1,118,365	44.28
WOOD	2,225,116,370	180,662,767	117,324,789	5,302,693	52.73
WYANDOT	328,133,000	17,007,205	10,822,235	54,833	32.98
TOTAL	**$202,591,836,961**	**$17,134,754,614**	**$11,242,570,059**	**$278,187,467**	**55.49**

(a) Represents taxes charged after tax reduction factors are applied. The 10% rollback for all real property, 2.5% rollback for residential real property, and homestead exemption reduction have not been subtracted from this figure because they are fully reimbursed to the local governments and school districts from the state General Revenue Fund.

(b) Rates shown in mills equal taxes charged divided by taxable value.

(c) Counties which levied no special assessments.

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 4 - Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2004 (a)

County	Taxes Charged (b)	10% Reduction (c)	Homestead Exemption Reduction (c)(d)	2.5% Reduction in Taxes of Homeowners (c)	Net taxes Collectible (e)
ADAMS	$12,692,842	$1,266,861	$203,355	$50,840	$11,171,786
ALLEN	66,446,761	6,656,277	321,274	953,432	58,515,778
ASHLAND	35,783,834	3,562,430	264,521	553,142	31,403,741
ASHTABULA	72,917,503	7,273,580	834,259	894,333	63,915,332
ATHENS	35,548,641	3,613,359	463,693	389,367	31,082,222
AUGLAIZE	30,728,580	3,069,673	128,675	446,563	27,083,669
BELMONT	33,644,444	3,365,901	675,712	436,535	29,166,297
BROWN	19,839,792	1,984,096	214,696	208,975	17,432,025
BUTLER	358,606,450	31,502,015	1,218,184	4,333,205	321,553,046
CARROLL	16,807,489	1,682,718	185,697	203,978	14,735,096
CHAMPAIGN	23,988,711	2,408,627	180,970	239,360	21,159,754
CLARK	99,821,367	9,990,564	875,203	1,411,170	87,544,430
CLERMONT	178,435,733	18,049,004	667,581	2,690,385	157,028,763
CLINTON	26,551,086	2,906,214	116,007	320,381	23,208,484
COLUMBIANA	56,855,013	5,677,084	818,005	715,291	49,644,634
COSHOCTON	21,031,307	2,095,778	207,221	224,891	18,503,417
CRAWFORD	27,568,980	2,763,792	421,138	307,573	24,076,476
CUYAHOGA	1,886,903,716	186,500,192	14,134,332	27,584,628	1,658,684,563
DARKE	29,157,875	2,907,253	248,811	354,285	25,647,526
DEFIANCE	23,959,062	2,401,936	151,428	375,517	21,030,181
DELAWARE	236,486,078	24,625,732	265,841	4,137,524	207,456,981
ERIE	76,654,791	7,653,691	469,502	1,099,722	67,431,875
FAIRFIELD	117,241,199	11,844,036	571,963	1,640,265	103,184,935
FAYETTE	17,732,310	1,859,234	141,329	234,923	15,496,825
FRANKLIN	1,409,523,071	144,038,461	4,286,113	19,001,716	1,242,196,781
FULTON	35,663,739	3,568,599	202,389	555,201	31,337,550
GALLIA	11,446,775	1,145,477	183,810	97,808	10,019,681
GEAUGA	135,284,611	13,525,176	439,148	2,266,256	119,054,032
GREENE	165,429,725	16,559,366	447,095	2,347,389	146,075,875
GUERNSEY	21,135,400	2,113,282	294,962	233,656	18,493,500
HAMILTON	993,178,953	102,929,821	3,162,374	14,308,803	872,777,954
HANCOCK	53,637,634	5,492,149	228,945	827,348	47,089,191
HARDIN	16,324,831	1,633,528	145,587	205,616	14,340,100
HARRISON	7,136,393	716,023	153,074	71,871	6,195,424
HENRY	23,061,816	2,309,220	149,646	294,636	20,308,315
HIGHLAND	19,796,754	1,971,628	235,488	167,690	17,421,948
HOCKING	19,010,547	1,915,598	184,652	259,106	16,651,191
HOLMES	26,844,294	2,696,025	88,701	243,663	23,815,905
HURON	33,982,896	3,397,189	275,096	528,972	29,781,639
JACKSON	13,369,716	1,337,030	291,784	78,273	11,662,629
JEFFERSON	32,494,914	3,242,742	662,982	420,027	28,169,163
KNOX	39,965,774	4,066,683	278,597	501,864	35,118,631
LAKE	287,678,019	28,535,186	1,341,853	4,148,173	253,652,807
LAWRENCE	20,055,820	1,989,135	614,241	255,993	17,196,451
LICKING	135,153,247	13,537,852	420,635	2,162,927	119,031,833
LOGAN	$34,465,790	$3,445,045	$162,589	$286,388	$30,571,768
LORAIN	268,533,741	26,859,569	1,398,606	4,078,324	236,197,242
LUCAS	462,004,819	45,930,828	3,142,940	6,997,168	405,933,883
MADISON	30,206,620	3,016,248	169,016	480,882	26,540,475
MAHONING	187,756,675	18,820,370	2,276,809	2,876,724	163,782,771
MARION	38,143,400	3,815,779	418,408	547,903	33,361,310
MEDINA	189,075,939	18,938,748	850,650	3,371,026	165,915,515
MEIGS	9,086,125	906,102	192,182	78,578	7,909,263
MERCER	31,088,520	3,107,230	154,825	413,010	27,413,455
MIAMI	78,389,282	7,848,920	489,344	1,138,610	68,912,408
MONROE	6,109,248	612,756	111,988	53,202	5,331,302
MONTGOMERY	574,352,530	57,338,400	3,964,500	8,401,932	504,647,698
MORGAN	6,105,005	609,750	116,607	51,113	5,327,536
MORROW	20,467,631	2,041,916	158,009	249,540	18,018,165
MUSKINGUM	50,073,650	5,009,410	635,970	646,684	43,781,586
NOBLE	5,057,428	508,293	99,329	54,021	4,395,785
OTTAWA	49,363,166	4,929,273	227,222	291,415	43,915,256
PAULDING	11,974,935	1,196,098	157,430	97,824	10,523,583
PERRY	16,043,853	1,604,935	325,348	250,180	13,863,389
PICKAWAY	32,333,060	3,251,172	166,392	438,778	28,476,717
PIKE	10,716,253	1,072,191	236,630	131,875	9,275,557
PORTAGE	138,659,033	13,837,210	702,466	1,752,799	122,366,558
PREBLE	25,590,029	2,552,604	216,721	397,726	22,422,978
PUTNAM	20,163,762	2,044,514	111,948	342,653	17,664,648
RICHLAND	89,701,234	8,938,301	967,619	1,284,896	78,510,419
ROSS	36,423,169	3,641,335	426,506	438,847	31,916,481
SANDUSKY	36,967,715	3,690,448	280,236	567,638	32,429,393
SCIOTO	31,541,707	441,816	3,142,065	878,228	27,079,597
SENECA	32,458,993	3,228,878	262,444	421,104	28,546,567
SHELBY	34,591,306	3,461,146	180,637	376,439	30,573,084
STARK	305,053,764	30,529,258	2,195,625	4,620,484	267,708,397
SUMMIT	598,801,598	59,288,135	4,201,901	8,753,183	526,558,379
TRUMBULL	147,961,754	14,795,878	1,884,964	1,972,301	129,308,612
TUSCARAWAS	58,930,968	5,909,589	653,531	733,936	51,633,913
UNION	51,499,598	5,135,446	144,651	600,694	45,618,807
VAN WERT	18,668,868	1,876,116	185,387	259,822	16,347,543
VINTON	5,235,525	523,485	121,800	54,762	4,535,478
WARREN	219,467,356	21,977,403	500,363	3,709,714	193,279,875
WASHINGTON	33,491,005	3,341,527	321,085	401,249	29,427,144
WAYNE	87,538,797	8,766,803	456,399	1,185,909	77,129,687
WILLIAMS	24,750,691	2,472,377	195,774	359,821	21,722,719
WOOD	117,324,789	11,786,157	391,192	1,512,536	103,634,904
WYANDOT	10,822,235	1,082,012	91,758	123,626	9,524,840
TOTAL	**$11,242,570,059**	**$1,122,563,687**	**$70,956,437**	**$160,466,814**	**$9,888,583,121**

(a) Taxes charged in tax year 2004 and collected or reimbursed in tax year 2005.

(b) Net taxes charged after application of percentage reductions required by R.C. 319.301

(c) Estimated figures.

(d) Reduction is applied to residential and agricultural property not exceeding one acre.

(e) County figures may not add to total due to rounding.

Source: Abstracts filed by county auditors and records of the Department of Taxation.

Table 5
Assessed Valuation of Exempt Real Property, by Ownership Classifications, Tax Years 2000 - 2004 (figures in millions)

Property Under Public Ownership	2000	2001	2002	2003	2004
Boards of Education	$4,229.0	$4,361.8	$4,701.3	$5,019.3	$5,239.0
Municipalities	3,838.1	3,981.9	4,218.9	4,413.1	4,497.2
State	2,736.3	2,760.3	2,781.8	2,915.6	2,984.6
Counties	1,672.2	1,860.8	1,977.2	2,070.6	2,235.9
United States	1,409.9	1,425.8	1,259.7	1,568.9	1,578.7
Park Districts	384.8	406.8	470.3	489.4	497.3
Townships	192.2	204.3	251.7	238.9	249.5
Total	**$14,462.5**	**$15,001.8**	**$15,660.9**	**$16,715.9**	**$17,282.2**
Property Under Private Ownership	**2000**	**2001**	**2002**	**2003**	**2004**
Tax Abatements	$3,905.4	$4,364.8	$5,169.9	$5,501.7	$5,679.1
Charities	2,974.5	3,102.5	3,435.3	3,556.9	3,693.1
Churches	2,925.2	3,008.3	3,215.7	3,339.6	3,431.0
Schools and Colleges	2,052.4	2,136.4	2,549.0	2,631.7	2,743.0
Cemeteries	219.3	213.6	208.6	213.2	213.3
Total	**$12,076.8**	**$12,825.7**	**$14,578.5**	**$15,243.1**	**$15,759.5**
Grand Total*	**$27,145.2**	**$28,431.7**	**$30,884.3**	**$32,610.8**	**$33,688.6**

* Includes other tax-exempt organizations (e.g., metropolitan housing authorities, volunteer fire departments, etc.) not included in any of the listed categories.

Source: Exempt real property abstracts filed by county auditors with the Department of Taxation.

Table 6
Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Valuation, By County, Tax Year 2004

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	$325,272,010	$45,733,210	14.06%	LOGAN	$806,899,800	$102,021,730	12.64%
ALLEN	1,476,376,650	228,354,990	15.47	LORAIN	5,378,504,680	704,144,720	13.09
ASHLAND	765,339,400	122,208,200	15.97	LUCAS	7,594,741,500	1,265,730,650	16.67
ASHTABULA	1,417,788,540	173,131,310	12.21	MADISON	621,651,580	136,764,170	22.00
ATHENS	634,450,050	273,365,010	43.09	MAHONING	3,310,235,980	444,081,720	13.42
AUGLAIZE	683,441,470	87,344,010	12.78	MARION	838,596,280	156,397,250	18.65
BELMONT	787,861,230	138,907,300	17.63	MEDINA	3,866,541,600	316,322,340	8.18
BROWN	532,630,910	51,790,350	9.72	MEIGS	225,159,050	25,097,930	11.15
BUTLER	6,379,143,280	1,037,757,360	16.27	MERCER	631,003,710	91,121,124	14.44
CARROLL	429,372,160	28,790,190	6.71	MIAMI	1,773,400,230	241,568,170	13.62
CHAMPAIGN	587,009,080	55,252,110	9.41	MONROE	182,537,020	21,742,970	11.91
CLARK	2,043,178,610	264,832,210	12.96	MONTGOMERY	8,756,010,240	1,633,250,650	18.65
CLERMONT	3,339,934,710	360,358,920	10.79	MORGAN	168,094,580	19,400,500	11.54
CLINTON	655,819,260	87,197,830	13.30	MORROW	474,691,320	37,036,990	7.80
COLUMBIANA	1,365,948,720	189,895,850	13.90	MUSKINGUM	1,164,021,180	229,839,640	19.75
COSHOCTON	478,900,810	54,879,030	11.46	NOBLE	141,205,410	33,986,040	24.07
CRAWFORD	568,733,540	46,724,060	8.22	OTTAWA	1,290,701,530	97,684,760	7.57
CUYAHOGA	27,219,908,800	5,086,649,550	18.69	PAULDING	246,216,740	36,491,680	14.82
DARKE	778,745,200	80,805,370	10.38	PERRY	338,199,180	64,103,450	18.95
DEFIANCE	537,183,530	76,965,020	14.33	PICKAWAY	776,137,020	144,146,420	18.57
DELAWARE	4,504,076,950	683,424,810	15.17	PIKE	233,082,640	273,869,960	117.50*
ERIE	1,686,857,160	164,507,760	9.75	PORTAGE	2,788,321,250	617,788,280	22.16
FAIRFIELD	2,622,376,970	237,040,600	9.04	PREBLE	622,233,470	52,559,560	8.45
FAYETTE	421,709,690	45,275,830	10.74	PUTNAM	481,417,630	86,480,610	17.96
FRANKLIN	22,267,163,740	4,912,167,980	22.06	RICHLAND	1,728,545,700	270,623,550	15.66
FULTON	723,768,910	174,512,910	24.11	ROSS	889,090,770	199,668,700	22.46
GALLIA	360,854,540	83,820,180	23.23	SANDUSKY	929,150,500	166,842,000	17.96
GEAUGA	2,504,162,800	176,025,940	7.03	SCIOTO	721,508,230	225,980,570	31.32
GREENE	2,925,244,160	741,195,280	25.34	SENECA	743,368,850	105,720,330	14.22
GUERNSEY	441,288,680	113,962,270	25.82	SHELBY	769,167,240	86,757,370	11.28
HAMILTON	16,220,760,940	3,495,869,700	21.55	STARK	6,175,985,640	911,366,900	14.76
HANCOCK	1,315,607,420	179,620,460	13.65	SUMMIT	10,744,120,150	1,436,313,970	13.37
HARDIN	354,077,150	55,490,770	15.67	TRUMBULL	2,892,550,290	362,158,070	12.52
HARRISON	174,431,730	22,204,500	12.73	TUSCARAWAS	1,396,211,240	145,283,860	10.41
HENRY	426,344,420	52,205,760	12.24	UNION	958,120,671	71,224,920	7.43
HIGHLAND	525,480,880	55,908,690	10.64	VAN WERT	375,520,900	49,210,840	13.10
HOCKING	420,539,100	61,696,090	14.67	VINTON	120,573,230	20,889,780	17.33
HOLMES	616,062,910	40,145,230	6.52	WARREN	4,418,501,400	600,745,290	13.60
HURON	865,105,920	107,828,310	12.46	WASHINGTON	844,350,690	136,070,190	16.12
JACKSON	318,504,570	64,639,320	20.29	WAYNE	1,729,771,810	303,141,170	17.52
JEFFERSON	785,271,380	129,905,210	16.54	WILLIAMS	558,922,270	86,108,190	15.41
KNOX	852,863,490	150,680,710	17.67	WOOD	2,225,116,370	488,930,130	21.97
LAKE	5,464,239,340	473,131,990	8.66	WYANDOT	328,133,000	27,570,860	8.40
LAWRENCE	621,275,850	111,107,390	17.88				
LICKING	2,908,417,730	339,020,640	11.66	**Total**	**$202,591,836,961**	**$33,688,568,214**	**16.63%**

* The exempt percentage in Pike County is over 100% because of the higher value of exempt property in the county. This is primarily due to the federal uranium enrichment plant in Piketon.

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 7
Number of Homestead Exemptions Granted, Average Reduction in Taxable Value, and Total Reduction in Taxes, by County, Tax Year 2003

County	Number of Homestead Exemptions Granted(a)	Average Reduction in Taxable Value(a)	Total Reduction in Real Property Taxes(b)	County	Number of Homestead Exemptions Granted(a)	Average Reduction in Taxable Value(a)	Total Reduction in Real Property Taxes(b)
ADAMS	1,010	$3,981	$199,918	LOGAN	671	$3,817	$165,287
ALLEN	1,425	3,905	323,211	LORAIN	4,415	3,977	1,439,945
ASHLAND	869	3,844	235,044	LUCAS	9,228	3,531	3,289,454
ASHTABULA	2,833	3,957	876,136	MADISON	625	4,100	168,303
ATHENS	1,566	3,882	460,243	MAHONING	7,923	3,817	2,374,271
AUGLAIZE	610	3,540	127,480	MARION	1,571	4,045	427,226
BELMONT	2,814	3,900	678,246	MEDINA	2,489	3,586	807,247
BROWN	1,094	3,889	212,969	MEIGS	1,093	3,609	192,834
BUTLER	4,441	4,011	1,225,492	MERCER	709	3,796	147,167
CARROLL	860	3,896	183,449	MIAMI	1,932	3,839	499,442
CHAMPAIGN	784	3,882	198,353	MONROE	560	4,048	111,172
CLARK	2,987	3,991	898,398	MONTGOMERY	10,970	3,854	3,977,303
CLERMONT	2,211	3,941	661,258	MORGAN (c)	537	3,785	112,319
CLINTON	554	3,875	121,459	MORROW	709	3,863	155,957
COLUMBIANA	3,564	3,950	841,872	MUSKINGUM	2,455	4,118	675,006
COSHOCTON	824	3,868	203,646	NOBLE	557	3,841	102,359
CRAWFORD	1,307	3,951	416,903	OTTAWA	854	3,624	225,758
CUYAHOGA	33,987	3,886	13,744,710	PAULDING	384	3,932	96,624
DARKE	1,267	3,736	252,001	PERRY (d)	1,460	3,698	321,972
DEFIANCE	680	3,765	156,984	PICKAWAY	663	3,846	168,455
DELAWARE (c)	770	3,689	230,768	PIKE	1,008	3,823	227,158
ERIE	1,523	3,889	502,380	PORTAGE	2,066	3,706	700,967
FAIRFIELD	2,072	3,980	576,983	PREBLE	1,029	4,038	236,530
FAYETTE	607	4,216	150,003	PUTNAM	561	3,869	114,425
FRANKLIN	11,045	3,984	4,097,937	RICHLAND	2,848	4,047	988,126
FULTON	712	3,791	204,888	ROSS	1,958	3,841	413,608
GALLIA	1,225	3,931	190,496	SANDUSKY	1,302	3,703	276,298
GEAUGA	1,247	3,697	429,577	SCIOTO	3,506	4,159	884,755
GREENE	1,664	3,764	438,687	SENECA	1,061	3,849	259,019
GUERNSEY	1,354	3,709	299,562	SHELBY	808	3,834	184,057
HAMILTON	9,465	3,845	3,431,654	STARK	7,377	3,908	2,106,455
HANCOCK	894	3,934	211,181	SUMMIT	12,795	3,978	4,286,228
HARDIN	595	4,131	145,460	TRUMBULL	6,384	4,093	1,876,642
HARRISON	669	3,869	156,964	TUSCARAWAS	2,599	4,012	660,883
HENRY	565	3,684	143,271	UNION	539	3,805	154,518
HIGHLAND	1,307	3,965	247,398	VAN WERT	670	4,079	188,147
HOCKING	783	3,842	187,096	VINTON	664	4,046	120,304
HOLMES	392	3,875	91,217	WARREN	1,744	3,443	490,817
HURON	1,456	3,147	278,901	WASHINGTON	1,613	3,694	321,981
JACKSON	1,500	4,348	314,105	WAYNE	1,743	3,766	451,626
JEFFERSON	3,011	3,992	675,580	WILLIAMS	705	3,932	197,206
KNOX	1,006	4,035	274,230	WOOD	1,506	3,704	437,634
LAKE	3,815	3,782	1,303,822	WYANDOT	459	3,819	95,650
LAWRENCE	3,875	4,295	602,246				
LICKING	1,846	4,036	420,873	**TOTAL**	**223,835**	**$3,890**	**$68,754,186**

(a) Compiled from surveys of county auditors conducted by the Department of Taxation.

(b) From distribution records of the Revenue Accounting Division of the Department of Taxation. These figures include those taxpayers that filed late for the tax reduction and exclude the administrative fees associated with this program.

(c) The figures in the first two columns are tax year 2002 data; this county did not submit data for tax year 2003.

(d) The figures in the first two columns are tax year 2000 data; this county did not submit data for tax years 2001, 2002, or 2003.

Source: Surveys filed with the Department of Taxation by county auditors.

Replacement Tire Fee

The replacement tire fee provides revenue to defray the cost of regulating the various scrap tire facilities, to abate accumulations of scrap tires, to provide funding for grants to promote research regarding alternative methods of recycling scrap tires, and to provide funding for loans to promote the recycling or recovery of energy from scrap tires. This fee was enacted by the Ohio General Assembly and became effective December 1, 1993. In Fiscal Year 2005, approximately $6.8 million was collected.

Taxpayer (Ohio Revised Code 3734.903):

The fee is paid by any wholesale distributor of replacement tires or 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):

$1.00 per tire.

Special Provisions

R.C. 3734.904:
If the return and total fees due are filed and paid on or before the day they are due, then the taxpayer is entitled to a discount of 4.0 percent on the total amount owed.

Filing and Payment Dates (R.C. 3734.904):

The 20th day of each month.

Disposition of Revenue (R.C. 3734.9010):

Prior to July 1, 2005, of the total revenue collected, 4.0 percent is distributed directly to the Tire Fee Administration Fund, for appropriation to the Department of Taxation to cover the costs of administering the fee. Effective July 1, 2005, the distribution to the Tire Fee Administration Fund was reduced from 4.0 percent to 2.0 percent of the total revenue collected. The remainder of the revenue is distributed to the Scrap Tire Management Fund.

Administration:

The fee is administered and revenue to the various funds is distributed by the Tax Commissioner.

Ohio Revised Code Citations:

R.C. 3734.90 – 3734.99.

Recent Legislation

Amended Substitute House Bill 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective July 1, 2005).

- This bill extended the fee to June 30, 2011; and
- reduced the Tire Fee Administration Fund from 4.0 percent to 2.0 percent of the total revenue collected. This fund is certified directly to the credit of the Tire Fee Administration Fund for appropriation to the Department of Taxation to cover the costs of administering the fee. The remainder of the revenue is distributed to the Scrap Tire Management Fund.

Table
Replacement Tire Fee Revenue
Fiscal Years 2001 - 2005

Fiscal Year	Scrap Tire Management Fund	Administration Fund	Total
2002	6,184,306	257,679	6,441,985
2004	7,315,940	304,831	7,620,771

* Tire fee was increased from $0.50 to $1.00 in July 2002.

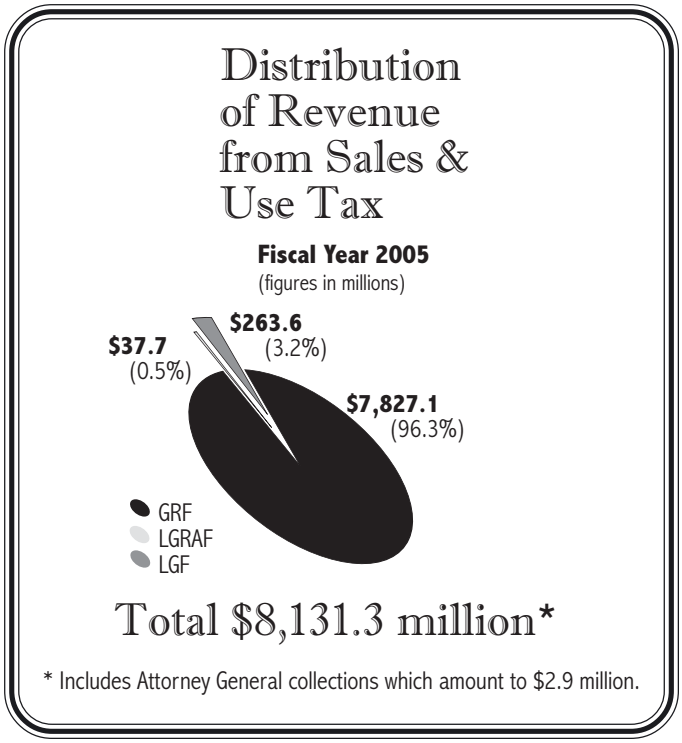
Source: Department of Taxation, as reported on tax returns.

Sales & Use Tax

The sales and use tax has been a major revenue producer for Ohio for over 70 years. Amended Substitute House Bill 66, the Fiscal Year 2006-2007 biennium budget bill, enacted a number of changes in the sales and use tax statutes. The state tax rate, which had been temporarily raised by Am. Sub. H.B. 95 of the 125th General Assembly to 6.0 percent for the period ending June 30, 2005, was set permanently at 5.5 percent effective July 1, 2005. H.B. 66 also continued the temporary increase in the vendor discount from three-fourths of one percent to nine-tenths of one percent through June 30, 2007. The same bill also repealed the exemption for sales of investment metal bullion and investment coins and made a number of other changes to conform Ohio law to the provisions of the Streamlined Sales and Use Tax Agreement, commonly referred to as the Streamlined Sales Tax Project (SSTP).

Senate Bill 26, which took effect in June 2005, adopted a delay in the change from sourcing most Ohio sales according to the vendor's location (origin sourcing) to sourcing according to the location where the consumer received the product or service sold (destination sourcing). The new sourcing provisions will be phased in. All vendors must make the switch by January 1, 2008.

In April, 2005, Ohio filed a petition for membership in the SSTP. Due to delays in the effective dates of some of the statutory changes related to sourcing of sales, Ohio was approved as an Associate Member of the streamlined system on July 1, 2005. Ohio is expected to become a full member on January 1, 2008, the date the sourcing changes become fully effective. The streamlined system began to operate with the convening of the Governing Board on October 1, 2005.



The sales and use tax is the second largest revenue producer for the state, exceeding $8.1 billion in FY 2005. Of this amount, 3.2 percent or $263.6 million is distributed to the Local Government Fund, 0.5 percent or $37.7 million to the Local Government Revenue Assistance Fund, and 96.3 percent or $7.8 billion is distributed to the General Revenue Fund.

The Ohio sales and use tax initially took effect in January 1935. The sales tax rate was 3.0 percent until 1967, when a 4.0 percent rate was adopted. A temporary 5.0 percent sales tax imposed from January through June 1981 became permanent in November 1981. The sales and use tax was originally restricted to the sale or rental of tangible personal property, but was later extended to a number of services (see **Tax Base**).

In 1967, the General Assembly authorized counties to levy a permissive sales and use tax of 0.5 percent, in addition to the state sales and use tax, for the purpose of providing additional county general revenue. The tax is levied pursuant to a resolution of the county commissioners and is subject to repeal by a majority vote of the county electorate. In January 1982, counties were given the option of levying a full 1.0 percent permissive tax.

In 1986, the General Assembly further authorized counties to levy an additional 0.5 percent sales tax subject to voter approval for one or more of the following purposes: (a) payment of bonds issued for a convention facility; (b) revenue for a transit authority; (c) additional county general revenue; (d) revenue for permanent improvements; and (e) implementation and operation of a 9-1-1 system. If the additional levy is solely for general revenue, the county commissioners may levy it pursuant to a resolution, but it is subject to repeal by a majority vote of the county electorate.

In July 1987, counties were granted authority to levy the permissive sales and use tax in quarter-percent increments. Then, in 1993, the General Assembly authorized counties to levy the sales tax to provide revenue for the operation and maintenance of a detention facility. Legislation in 1995 authorized the use of the additional county sales tax for construction or renovation of a sports facility, and in 2001 for acquisition of agricultural easements.

As of June 30, 2005, all 88 counties in Ohio levied a county permissive sales and use tax. In calendar year 2004, the state collected $1,200.8 million for county governments.

In 1974, the General Assembly authorized transit authorities to levy a permissive sales and use tax to be collected in addition to the state sales and use tax and county permissive sales and use tax for the purposes of providing revenues for public mass transit systems. The tax is levied pursuant to a resolution of the transit authority and subsequent approval by a majority of the voters at a special or general election. The tax can be levied

at a rate of up to 1.5 percent in quarter-percent increments. As of June 30, 2005, the Greater Cleveland, Central Ohio, LakeTran, Greater Dayton, Stark Area, Summit County Metro, and Portage Area regional transit authorities levied a permissive sales and use tax. In calendar year 2004, the state collected approximately $285.6 million for the transit authorities.

The state collects the combined state and local tax and returns the local share directly to the counties and transit authorities. The same exemptions and exceptions, credits, and payment dates apply to the permissive taxes as to the state tax.

In 2002, the 124th General Assembly passed S.B. 143, which adopted the Simplified Sales and Use Tax Act. This bill allows Ohio to participate with other states in the SSTP. The SSTP is a multi-state effort to make the states' sales and use tax laws more uniform and to provide simplified registration, reporting, and remittance requirements.

The 125th General Assembly passed H.B. 40 in 2003. This bill created advance payment requirements for taxpayers required to remit taxes by electronic funds transfer (EFT).

Description of Taxpayers (R.C. 5739.17):

Taxpayer	Cost of License	Description
Vendor	$25	Each person or business establishment located in Ohio making retail sales.
Service vendor	$25	Person or business that provides automatic data processing, computer services, and electronic information services; telecommunications services; mobile telecommunications services; lawn care and landscaping services; private investigation and security services; building maintenance and janitorial services; employment and employment placement services; exterminating services; satellite broadcasting services; and snow removal services. The license is valid statewide.
Transient vendor	$25	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
Delivery vendor	$25	Retailer who maintains no store, showroom, or similar place of business where merchandise is offered for sale, or who has no location where merchandise displayed in catalogs may be selected or picked up by customers.
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.
Division of Liquor Control	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.

The Ohio sales and use tax underwent major changes at the beginning of Fiscal Year 2004 with the enactment of the state's two-year budget for FY 2004-2005, Am. Sub. H.B. 95. The 125th General Assembly passed H.B. 95 on June 26, 2003. This bill temporarily increased the statewide sales and use tax rate to 6.0 percent from 5.0 percent as of July 1, 2003, to remain in effect until June 30, 2005. Another key provision expanded the tax base, effective August 1, 2003, to include a number of additional services. The bill also adopted many of the provisions necessary to bring Ohio into compliance with the multi-state SSTP.

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

Any person, retailer, business, organization, etc. making retail sales or making taxable purchases on which the tax has not been paid is required to file a return and remit the tax due.

Tax Base (R.C. 5739.01, 5741.01):

The state, county, and transit authority sales and use taxes apply to all retail sales of tangible personal property that are not specifically exempt. Retail sales also include the rental of tangible personal property, the rental of hotel rooms by transient guests, and the sales of the following specified services:

(a) repair of tangible personal property;
(b) installation of tangible personal property;
(c) washing, cleaning, waxing, polishing, and painting of a motor vehicle;
(d) laundry and dry cleaning services;
(e) automatic data processing, computer services, and electronic information services used in business;
(f) telecommunications services;
(g) lawn care and landscaping;
(h) private investigation and security;
(i) building maintenance and janitorial services;
(j) employment services and employment placement services;
(k) exterminating services;
(l) physical fitness facility services;
(m) recreation and sports club services;
(n) mobile telecommunications services;
(o) satellite broadcasting services;
(p) personal care services;
(q) transportation of persons by motor vehicle or aircraft entirely within this state;
(r) motor vehicle towing services; and
(s) snow removal services.

Retail sales also include all transactions by which a warranty, maintenance, or service contract is, or is to be, provided and all transactions by which tangible personal property is, or is to be, stored.

The county and transit authority use taxes apply to purchases made outside of the state and to purchases made from vendors located in an area which does not have the permissive sales and use tax, or levies it at a lower rate, when the property or service is used in an area that levies a permissive sales and use tax.

Rates (R.C. 5739.02, 5739.021, 5739.023, 5739.025, 5739.026, 5739.033, 5741.02, 5741.021, 5741.022, 5741.023):

The state sales and use tax rate was temporarily increased to 6.0 percent during FY 2003 and 2004. On July 1, 2005, the rate was changed permanently to 5.5 percent. Counties and transit authorities are authorized to levy additional permissive sales and use taxes at rates of 0.25 percent to 1.5 percent in quarter-percent increments.

The following are the number of jurisdictions (counties) at each tax rate as of June 30, 2005.

Total Rate	Number of Jurisdictions
7.5%	1
7.0	36
6.75	12
6.5	31
6.25	5
6.0	3

(A combined sales tax schedule that includes local levies is specified in R.C 5739.025.)

The applicable sales tax rate for most taxable sales during FY 2005 was the rate applicable at the location of the vendor from which the sale was made. Vendors that wished could opt to irrevocably change their sourcing to the destination basis called for in the SSTP. Generally, the applicable use tax rate for all taxable sales is based on the location of the purchaser.

During FY 2005, the applicable sales or use tax rate for automatic data processing, computer services, electronic information services, telecommunications services, private investigation and security services, lawn care and landscaping services, building maintenance and janitorial services, employment services, employment placement services, exterminating services, satellite broadcasting services, and snow removal services, is the location of where the service is purchased and performed or received.

However, some of the provisions in the above paragraphs are scheduled to change when the sourcing rules of the SSTP are adopted for all sales. These rules adopt a destination-based approach for determining which jurisdiction's tax a vendor or seller is to collect. Over-the-counter sales will be sourced to the location where the consumer takes possession of the item sold. If the product is delivered to the consumer, the sale is sourced to the delivery location. If neither of the above situations apply, the sale is sourced to the location of an address the vendor or seller has for the consumer that is available from the vendor or seller's records or that is obtained during the transaction.

Special sourcing rules are also put in place for certain sales of digital goods

or software delivered electronically that are concurrently available for use by the consumer in multiple locations, for certain types of direct mail, for telecommunications services, and for leases.

Pursuant to the terms of S.B. 26, vendors with more than $30 million in taxable delivery sales in the previous year must switch to destination sourcing, as required by the SSTP, by May 1, 2006. Vendors with more than $5 million in taxable delivery sales in the previous year must switch to destination sourcing by May 1, 2007. All vendors must make the switch by January 1, 2008.

Exemptions and Exceptions (R.C. 5709.25, 5709.50, 5739.01, 5739.011, 5739.02, 5741.02, 6111.31, 6121.16, 6123.041):

1. Copyrighted motion picture films unless solely used for advertising;
2. 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**);
3. The value of motor vehicles traded in on new motor vehicles sold by licensed new motor vehicle dealers;
4. Tangible personal property or the benefit of a taxable service to be resold in the form received;
5. The refundable deposit paid on returnable beverage containers, cartons, and cases; and
6. Tangible personal property used or consumed in commercial fishing.
7. Direct use exemptions:
   (a) material incorporated as a component part of tangible personal property produced for sale by manufacturing, assembling, processing, or refining;
   (b) 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;
   (c) tangible personal property used directly in rendering a public utility service;
   (d) 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
   (e) 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.
8. 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:
   (a) production machinery and equipment that act upon the product;
   (b) handling and transportation equipment (except licensed motor vehicles) used in moving property in or between plants during the production process;
   (c) property used in producing property that is used or consumed in the production of a final product (use on use);
   (d) coke, gas, water, steam, and similar substances used in the manufacturing operation;
   (e) catalysts, solvents, water, acids, oil, and similar consumables that interact with the product and are an integral part of the manufacturing operation; and
   (f) property that is used to control, physically support, or is otherwise necessary for functioning of machinery and equipment and continuation of the manufacturing operation.
9. Sales to U.S. government agencies;
10. Sales to the state or any of its political subdivisions;
11. Food for human consumption off the premises where sold;
12. Food sold to students in a dormitory, cafeteria, fraternity, or sorority;
13. Newspapers;
14. Magazine subscriptions or magazines distributed as controlled circulation publications;
15. Motor vehicle fuel subject to the state motor fuel excise tax;
16. Gas, water, and steam delivered through pipes or conduits by a utility company and electricity delivered through wires;
17. Communications services provided by telegraph companies;
18. Casual sales except for motor vehicles, titled watercraft and outboard motors, snowmobiles, and all-purpose-vehicles;
19. Sales by churches and nonprofit organizations (excluding motor vehicles) provided that the number of sales does not exceed six days each year;
20. Transportation of persons or property, except the transportation of persons specifically taxed as a service;
21. 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;
22. Sales to nonprofit hospitals and to those privately-held homes for the aged and hospital facilities that are financed with public hospital bonds;
23. 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;
24. Ships and rail rolling stock used in interstate or foreign commerce and material used for repair, alteration, or propelling such vessels;
25. Material, machinery, equipment, and other items used in packaging property to be sold at retail;
26. All drugs for a human being dispensed pursuant to a prescription (this provision was changed by H.B. 66, effective July 1, 2005, to allow exemption only for drugs for a human being that may only be dispensed pursuant to a prescription), urine and blood testing materials used by diabetics or persons with hypoglycemia; medical oxygen and medical oxygen equipment for personal use; hospital beds for personal use; and epoetin alfa for persons with a medical disease;
27. Prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment sold pursuant to a prescription for use by a human being;
28. Emergency and fire protection vehicles used exclusively by nonprofit

organizations in providing emergency and fire protection services for political subdivisions;

29. Sales to nonprofit community centers and to producers offering presentations in music, dramatics, the arts, and related fields to foster public interest and education;
30. Motor vehicles sold in Ohio to nonresidents for titling and use in another state;
31. Property used in the preparation of eggs for sale;
32. Sales of property for use in agricultural production;
33. 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;
34. Sales to non-commercial, educational broadcasting stations;
35. Sales of animals by nonprofit animal shelters and county humane societies;
36. Items used in preserving, preparing, or serving food, or material used in maintaining or cleaning these items in a commercial food service operation;
37. Tangible personal property used in air, noise, or water pollution control facilities or in energy conversion, solid waste energy conversion, or, thermal efficiency improvement facilities, by holders of exempt facility certificates issued by the Tax Commissioner;
38. Bulk water for residential use;
39. Sales of equipment used in qualified research and development;
40. Sales and installation of agricultural land tile and the sale and installation of portable grain bins to farmers;
41. Fees paid for the inspection of emission control equipment on motor vehicles;
42. Sales, leases, repairs, and maintenance of motor vehicles used primarily in providing highway transportation for hire;
43. Sales to state headquarters of veterans' organizations chartered by Congress or recognized by the U.S. Department of Veterans Affairs;
44. Normally taxable food items sold to persons using food stamps;
45. Sales of tangible personal property and services used directly in providing a telecommunications service, mobile telecommunications service, or satellite broadcasting service;
46. Investment metal bullion and investment coins (this was repealed July 1, 2005 by H.B. 66);
47. Trade-ins on purchases of new or used watercraft or outboard motors sold by licensed boat dealers;
48. Property and labor used to fulfill a warranty or service contract;
49. 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;
50. Sales of computer equipment used for educational purposes made to qualifying certified teachers;
51. Sales of certain tangible personal property made to qualified motor racing teams;
52. Twenty-five percent sales tax refund for qualified computer purchases for providers of electronic information services;
53. Sales of used manufactured and mobile homes;
54. Sales of coin-operated car washes;
55. The provision of self-service laundry or dry cleaning facilities;
56. 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 (U.S.C.) 41102;
57. Sales of telecommunications services used directly and primarily to perform the functions of a call center;
58. Sales of personal property and services used directly and primarily in providing taxable intrastate transportation of persons;
59. Repair and replacement parts and repair and maintenance services for aircraft used primarily in a fractional aircraft ownership program; and
60. Tax in excess of $800 on any aircraft sold as a fractional share aircraft.

Special Provisions

1. *Cumulative filing* (R.C. 5739.12, 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.
2. *Pre-arranged agreements* (R.C. 5739.05). 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.
3. *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.
4. *Construction contractors* (R.C. 5739.01). 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.
5. *Resort area tax* (R.C. 5739.101-5739.105). Qualified municipal corporations or townships are authorized to levy a tax at the rate of 0.5 percent, 1.0 percent, or 1.5 percent on gross receipts from general sales made in or intrastate transportation primarily provided to and from the resort area. Receipts from this tax are for the general revenue of the township or municipality. The tax is administered by the Department of Taxation.
6. *Lodging tax* (R.C. 5739.09). In addition to the state sales tax, municipal corporations, townships, and counties may levy an excise tax on hotel and motel room rentals at a rate not exceeding 3.0 percent. Total combined local levies cannot exceed 6.0 percent. In certain cases, a portion of the receipts are earmarked for convention centers and visitors bureaus.

County convention facility authorities were permitted between June 29, 1988 and December 31, 1988 to enact an additional 4.0 percent lodging tax for convention facility or sports center construction. This tax is in addition to the combined maximum 6.0 percent rate for county, township, or municipal lodging taxes, thereby allowing a combined local rate of 10.0 percent.

7. *Payment by EFT* (R.C. 5739.032, 5739.122, 5741.121). Payment of tax returns is required to be made by EFT in cases where a taxpayer's annual liability exceeds $75,000 per calendar year. Taxpayers required to use this payment method will be so notified. Taxpayers with lesser liabilities may request the authorization to remit tax payments via EFT from the Treasurer of State.
8. *Accelerated tax payment* (R.C. 5739.032, 5739.122, 5741.121). Vendors required to remit tax by EFT are required to make advance payments of each month's tax on the 15th and 25th of that month.

Discount (R.C. 5739.12, 5741.12):

Payment on or before the date a return is required to be filed entitles the vendor to a discount of 0.9 percent of the amount due for returns required to be filed after July 1, 2003 and before June 30, 2007. (Example: $5,000 tax due - $45 discount = $4,955 next tax due.) For returns filed after June 30, 2007, the discount reverts to 0.75 percent.

Filing and Payment Dates (R.C. 5739.031, 5739.12, 5739.17, 5741.12, Rule 5703-9-10):

Type of Return	Taxpayer	Payment Date
Weekly	Clerks of court	Payment on Monday for taxes collected during the preceding week on motor vehicles, watercraft and outboard motors titled.
Semi-monthly	Division of Liquor Control	By the 15th day of the month for the tax collected during the last 15 days of the previous month, and by the last day of the month for the tax collected during the first 15 days of the month, on spiritous liquor sold in state-contracted liquor agency stores.
Monthly	Vendors, sellers, service vendors, transient vendors, delivery vendors, direct pay permit holders, consumers use tax accounts	By the 23rd day of the month following the close of the reporting period.
Quarterly	Direct pay permit holders, consumers use tax accounts	By the 23rd day of January, April, July, and October for their tax liability during the preceding three months; this method of payment may be authorized for accounts with less than $5,000 in quarterly tax liability.
Semi-annual	Vendors, sellers, service vendors, transient vendors, delivery vendors	By the 23rd day of the month following the close of each semi-annual period (pre-determined by filing schedule) for the tax collected during the preceding six-month period; this method of payment may be authorized for vendors and sellers whose tax liability is less than $1,200 per six-month period.
Special payment requirements	All taxpayers	Payment must be received by the 23rd day of the month following the close of the reporting period. Taxpayers whose annual liability in a prior year exceeded $75,000 are required to pay by EFT. These same taxpayers are required to make accelerated payments during each month.

Disposition of Revenue:

1. **State Sales and Use Tax** (R.C. 5739.21, 5741.03):
   By statute the Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund 0.6 percent, and the General Revenue Fund 95.2 percent of sales and use tax collections. However, legislative changes in recent years have temporarily restructured this distribution. In FY 2005, the Local Government Fund received 3.2 percent, the Local Government Revenue Assistance Fund received 0.5 percent, and the General Revenue Fund received 96.3 percent. This temporary distribution was structured by H.B. 95, 125th General Assembly, the FY 2004-2005 biennium budget bill, which continued a freeze on local government funds that began in 2002. For each month of FY 2005, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2003 - June 2004 period. An uncodified provision of H.B. 66, the FY 2006-2007 biennium budget bill, froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.
2. **County Permissive Sales and Use Tax** (R.C. 5739.21, 5743.03):
   (a) One percent credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying costs of administration;
   (b) Remainder to the county general fund.
3. **County Additional Permissive Sales and Use Tax** (R.C. 5739.21, 5741.03):
   (a) One percent credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying costs of administration;
   (b) Remainder to the special purpose fund for which the additional tax is levied.
4. **Transit Authority Sales and Use Tax** (R.C. 306.31, 5739.21, 5741.03):
   (a) One percent credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying the costs of administration;
   (b) Remainder to the general revenue of the transit authority for the purpose of acquiring, constructing, operating, maintaining, replacing, improving, and extending transit facilities.
5. **Resort Area Tax** (R.C. 5739.102):
   (a) One percent credited to the state General Revenue Fund for the cost of administering the tax;
   (b) Remainder to the appropriate taxing entity.

Administration:

The Tax Commissioner administers the sales and use tax for the state, for counties, and for transit authorities.

Ohio Revised Code Citations:

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

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (effective July 1, 2005 unless otherwise noted).

R.C. 5739.02, 5739.025, 5739.10 and 5741.02:
The state sales and use tax rate became 5.5 percent.

R.C. 5739.12: effective July 1, 2005:
Vendor discount of nine-tenths of 1.0 percent set to expire June 30, 2005 extended until June 30, 2007, when the discount will drop to 0.75 percent.

R.C. 5739.02(B)(35):
The exemption from sales tax for the purchase of investment metal bullion and investment coins is removed. These transactions are now subject to sales/use tax unless the purchaser is a dealer of such property in which case the dealer may claim the resale exception.

R.C. 5739.033:
Modified the sourcing requirements for "multiple points of use" sales, sales of direct mail, and leases or rentals of property requiring periodic payments.

R.C. 5739.03 and 5741.02:
Allowed sellers additional time, up to 90 days, to obtain fully completed certificates of exemption from their customers on exempt sales. Also amended to now allow sellers to provide a fully completed certificate of exemption, if the certificate has been received in good faith, to show that a sale is exempt within 120 days of the Tax Commissioner issuing a written notice of intent to levy and assess.

R.C. 5741.16:
Extended the statute of limitations in certain circumstances on consumers who provide a fully completed certificate of exemption.

R.C. 5739.02(B)(18):
Sales of over-the-counter medications were declared not exempt even if such are prescribed by a physician. Purchases of medical oxygen and medical oxygen equipment are only exempt from sales/use tax if purchased by a hospital, nursing home, or other medical facility.

R.C. 5739.01(H), certain portions not effective until January 1, 2006:
Statute amended to adopt SSTP agreement's definition of "price."

R.C. 5739.012, effective January 1, 2006:
Statute amended to adopt SSTP agreement's tax treatment of bundled transactions.

R.C. 5739.01(B)(3)(f) and 5739.01(AA):
Amended the statute to conform with SSTP agreement by including within taxable telecommunications services prepaid calling service, prepaid wireless calling service, and ancillary service. The definitions of these services were also changed to conform to the SSTP agreement. The overall taxability of such services was not changed from previous law.

R.C. 5739.034, 5739.035 and 5739.17:
Various definitions amended to conform to the SSTP agreement.

Sub. S.B. 218, 125th General Assembly (effective April 29, 2005 unless otherwise noted).
R.C. 5739.035, effective January 28, 2005:
Defined where a vendor is to source a sale when the vendor determines the tax liability to be collected from customers under destination-based sourcing.

R.C. 5739.123:
Allowed vendors compensation to assist them in complying with destination-based sourcing requirements.

R.C. 5739.17:
Amended to allow the Tax Commissioner to establish or participate in a registration system whereby any vendor may obtain a vendor's license by submitting to the commissioner a vendor's license application and a fee of $25.00.

R.C. 5739.24:
Allowed compensation for counties impacted by vendors changing to destination-based sourcing.

R.C. 5740.08:
Made certain changes with regard to compliance with the SSTP agreement to help protect the confidentiality of consumer information.

R.C. 5740.09:
Provided procedures for a seller's liability for over-collection of sales or use tax.

H.B. 13, 125th General Assembly (effective March 30, 2005).
R.C. 5739.026:
Allowed a board of county commissioners to levy a sales and use tax for the purpose of providing emergency medical services.

S.B. 26, 126th General Assembly (effective June 2, 2005).
R.C. 5739.01(HHH) and (III):
"Durable medical equipment" and "mobility enhancing equipment" were specifically indicated as mutually exclusive.

R.C. 5739.033:
Delayed the date when vendors must collect sales tax based on destination-based sourcing. The date by which a vendor must change to destination-based sourcing will now be determined on a sliding scale over a period from May 1, 2006 to January 1, 2008, depending on the amount of a vendor's delivery sales.

R.C. 5739.033:
Provided a definition of a "delivery sale."

R.C. 5739.123:
Made certain modifications with regard to compensation for assisting vendors in changing to destination-based sourcing.

Recent Significant Court Decisions:

Chrysler Financial Co. L.L.C. v. Wilkins (2004), 102 Ohio St.3d 443, 2004-Ohio-3922. The court ruled that a finance company that purchases the rights to installment sales contracts from motor vehicle dealers was not entitled to claim a refund for bad debts resulting from those contracts. Under R.C. 5739.121, only the vendor in a transaction is entitled to claim a bad debt deduction on the transaction. The taxpayer was not the vendor in the installment sale of a motor vehicle to a purchaser since it was the dealer, not the taxpayer, that effected the transfer title or possession of the motor vehicle to the purchaser. Only the vendor, in this case the dealer, is entitled to claim a bad debt deduction. In this case, the dealer received payment from the taxpayer when it sold the installment contract and had no bad debt. The taxpayer, as assignee of the contract, does not qualify for the bad debt deduction.

Funtime, Inc. v. Wilkins (2004), 105 Ohio St.3d 74, 2004-Ohio-6890. The court ruled that amusement park rides were properly classified as personal property, rather than real property, for Ohio tax purposes and affirmed the assessment of use tax on purchases of the rides and of repairs to the rides. R.C. 5701.02 and 5701.03 define "real property" and "personal property," respectively. In determining the proper classification of an item of property the two statutes must be read together. If the property meets one of the definitions under R.C. 5701.02, it is real property unless it is "otherwise specified" in R.C. 5701.03. R.C. 5701.03 provides that "business fixtures" are personal property. The rides in question were business fixtures since they benefited the specific business conducted at that location (an amusement park), rather than generally benefiting the realty.

Crew 4 You, Inc. v. Wilkins (2005), 105 Ohio St.3d 356, 2005-Ohio-2167. The Ohio Supreme Court upheld an assessment of sales tax on employment services provided by the taxpayer. The taxpayer provided technicians to operate television production equipment. The purchaser (a "trucking company") provided the equipment necessary to produce television broadcasts of sports. The trucking company contracted with a broadcasting company. The broadcasting company provided the director that actually controlled the broadcast and the on-air talent. The court found the taxpayer was providing taxable employment service to the trucking company under R.C. 5739.01(JJ), as they were:

- providing or supplying personnel to the trucking company,
- the personnel performed their work under the supervision or control of another (the broadcaster's director),
- the taxpayer was not acting as a contractor or subcontractor with control over how it performed its services, and
- the personnel received their wages or compensation from the service provider (the taxpayer).

The trucking company was not reselling the employment service provided by the taxpayer in the same form it received it. The trucking company was providing "staffed equipment" to the broadcasting company, not employment service. The employees were paid by the taxpayer, not the trucking company. Since the trucking company was not selling employment services, it could not be purchasing those services exempt from sales tax under a claim of resale.

Recent Information Releases:

ST 2002-04 – "Building Maintenance and Janitorial Services," updated November, 2004. Supersedes Information Release dated September, 2000 and Information Release dated November 13, 2002.

ST 1995-02 – "Building Management," updated November, 2004. Supersedes Information Release dated October, 1995.

ST 1995-03 – "Cable TV Companies," updated November, 2004. Supersedes Information Release dated November, 1995.

ST 1995-04 – "Core Charges," updated November, 2004. Supersedes Information Release dated March, 1995.

ST 2003-01 – "Direct Payment Authority Program," December, 2004. This Information Release replaces Information Release ST 2003-01.

ST 1982-01 – "Documentary Fees," updated November, 2004. Supersedes Information Release dated January 29, 1982.

ST 2005-03 – "Electronic Payment Methods," May, 2005.

ST 2005-02 – "Exemption Certificate Forms," May, 2005.

ST 1994-02 – "Fruit Baskets, Holiday Baskets, Decorative Containers," updated November, 2004. Supersedes Information Release dated December, 1994.

ST 1989-02 – "Hearing Aids and Related Devices," updated November, 2004. Supersedes Information Release dated November, 1989.

ST 1989-03 – "Human Organs and Tissue," updated November, 2004. Supersedes Information Release dated February 1, 1989.

ST 2005-04 – "Information Retention and Sharing Practices Related to Sales and Use Tax," May, 2005.

ST 2004-02 – "Sourcing Law Change Update," updated June, 2005. Supersedes Information Release dated August, 2004.

ST 2005-01 – "Vendor Compensation," revised July, 2005.

Table 1
Sales and Use Tax - Collections By Type of Payments (Includes State and Local/ Transit Authority Permissive Tax) For Fiscal Year 2005

Type of Sale	Amount
Vendor's Sales	$6,830,014,683
Motor Vehicle and Water Craft (from Clerks of Court)	1,323,750,241
Seller's Use	941,081,904
Consumer's Use	286,070,334
Direct Payment	235,232,235
Liquor Sales by Division of Liquor Control	26,877,664
Attorney General Sales and Use Tax Collections	21,926,858
State and Local/Transit Authority Collections	$9,664,953,919
Less Local/Transit Authority Collections	1,481,133,581
Total State Collections	**$8,183,820,338**

Source: Ohio Department of Taxation records and Office of Budget and Management's monthly accounting reports.

Figures represent gross collections and therefore include collections from assessments and penalties. Refunds are not subtracted out. Figures are prior to any distribution to any state fund or to county and permissive transit authorities. Local sales and use tax collections include deposits into the Local Sales Tax Administration Fund, amounting to $15,055,977.

The local sales and use tax figure reflects collections during the July 2004 - June 2005 period (rather than distributions made during the July 2004 - June 2005 period).

Table 2
Sales and Use Tax - Number of Accounts, By Type and Payment Schedule (As of July 1, 2005)

Accounts	Payment Schedule			
	Semi-Annual	Monthly	Quarterly	Total
Vendors	108,685	81,066		189,751
Master*	173	3,584		3,757
Transient	34,365	4,031		38,396
Service	12,109	9,583		21,692
Delivery	6,897	1,275		8,172
Consumers		1,475	12,532	14,007
Direct-pay	0	393	278	671
Out-of-State	7,164	7,601		14,765
Grand Total	**169,393**	**109,008**	**12,810**	**291,211**

* A master account is an account held by a vendor that has multiple locations (and thus multiple vendor's licenses) in one or more counties. Currently, it would not include delivery or service licenses or out-of-state seller accounts.

Table 3
County and Transit Authority Permissive Sales Tax Collections
Calendar Years 2000 - 2004

County	Tax Rate 12/31/04	Amount of Tax Collections 2000	2001	2002	2003	2004	Initial Enactment	Effective Date of Current Rate
ADAMS	1.50 %	$1,709,172	$2,508,419	$2,735,086	$2,888,832	$2,797,066	June 1, 1991	Jan. 1, 2001
ALLEN	1.00	12,931,861	12,609,819	13,133,787	13,229,392	14,105,944	May 1, 1970	June 1, 1987
ASHLAND	1.25	4,978,702	5,177,525	5,220,317	5,155,880	5,425,965	Mar. 1, 1971	Jan. 1, 1998
ASHTABULA	1.00	7,943,877	7,741,939	7,986,904	7,977,386	8,428,479	Apr. 1, 1977	July 1, 1985
ATHENS	1.25	4,924,924	5,015,813	5,233,606	5,403,916	5,651,235	Feb. 1, 1982	Jan. 1, 1994
AUGLAIZE	1.50	5,814,614	5,577,880	5,503,873	5,829,385	6,183,157	Nov. 1, 1973	June 1, 1996
BELMONT	1.50	10,919,635	11,005,566	11,324,956	11,551,272	11,870,099	May 1, 1985	Jan. 1, 1995
BROWN	1.25	2,666,335	2,933,412	2,909,963	3,038,463	3,180,477	Aug. 1, 1979	Jan. 1, 1996
BUTLER	0.50	15,907,481	16,327,018	16,623,304	17,112,675	18,414,134	June 1, 1985	Feb. 1, 1995
CARROLL	1.00	1,504,183	1,547,391	1,581,707	1,585,981	1,625,241	Sep. 1, 1985	June 1, 1996
CHAMPAIGN	1.50	2,487,111	2,568,349	2,586,881	3,100,915	4,013,697	Jan. 1, 1986	July 1, 2003
CLARK	1.00	12,089,114	12,430,551	17,344,078	12,243,342	12,563,786	Nov. 1, 1972	Nov. 1, 2002
CLERMONT	1.00	18,149,686	18,959,109	19,513,566	20,068,148	20,961,722	Aug. 1, 1979	Oct. 1, 1983
CLINTON	1.00	3,732,794	3,758,093	3,941,549	4,138,079	4,774,107	May 1, 1972	Nov. 1, 1988
COLUMBIANA	1.50	3,213	6,487,295	8,365,728	11,531,316	11,850,766	Aug. 1, 1985	Sept. 1, 2002
COSHOCTON	1.00	2,326,158	2,485,860	2,558,793	2,615,900	2,619,792	June 1, 1971	Mar. 1, 1985
CRAWFORD	1.50	5,013,096	4,492,005	4,647,342	4,857,314	5,023,409	May 1, 1978	July 1, 1994
CUYAHOGA	1.00	161,909,936	157,747,011	156,713,498	158,633,995	167,870,952	Sep. 1, 1969	Oct. 1, 1987
DARKE	1.00	4,284,155	4,485,850	4,281,463	4,415,874	4,489,900	July 1, 1975	Jan. 1, 1988
DEFIANCE	1.00	4,224,370	4,331,193	4,658,543	4,254,886	4,482,197	Feb. 1, 1987	Feb. 1, 1987
DELAWARE	1.25	18,211,040	20,406,106	26,069,586	29,110,737	31,861,129	Jan. 1, 1972	Oct. 1, 1996
ERIE	1.00	10,640,936	10,457,954	10,801,348	11,452,269	11,607,891	Mar. 1, 1977	May 1, 1993
FAIRFIELD	0.75	9,341,568	9,328,600	9,988,803	9,978,566	10,339,538	Sep. 1, 1981	Aug. 1, 1995
FAYETTE	1.00	3,944,328	4,009,709	4,194,940	3,948,848	3,986,368	Mar. 1, 1983	July 1, 1988
FRANKLIN	0.50	82,900,256	81,139,049	79,621,688	81,681,821	85,587,547	Sep. 1, 1985	Sept. 1, 1985
FULTON	1.00	3,932,599	3,713,217	3,900,824	3,959,266	3,994,295	May 1, 1972	Feb. 1, 1987
GALLIA	1.25	3,206,415	3,300,565	3,480,707	3,596,869	3,681,635	Dec. 1, 1981	Feb. 1, 1995
GEAUGA	1.00	4,106,539	4,187,169	4,383,695	4,809,116	9,132,782	Aug. 1, 1987	Feb. 1, 2004
GREENE	1.00	16,663,041	17,721,787	18,228,212	18,393,495	19,571,707	Mar. 1, 1971	Feb. 1, 1987
GUERNSEY	1.50	4,693,966	4,849,472	5,303,637	5,223,689	5,495,869	Feb. 1, 1971	Aug. 1, 1993
HAMILTON	1.00	120,817,937	118,656,334	119,722,909	122,212,469	127,712,184	June 1, 1970	June 1, 1996
HANCOCK	0.75	4,996,051	4,923,237	4,865,680	6,074,558	7,847,608	Feb. 1, 1979	July 1, 2003
HARDIN	1.00	2,129,093	1,961,237	2,016,990	1,913,787	1,993,026	Oct. 1, 1985	Mar. 1, 1990
HARRISON	1.50	1,045,888	1,059,708	1,109,957	1,174,339	1,267,537	Dec. 1, 1985	June 1, 1994
HENRY	1.00	1,922,753	2,033,158	2,262,060	2,283,066	2,421,135	Mar. 1, 1972	June 1, 1986
HIGHLAND	1.00	2,764,093	2,813,126	2,908,287	3,040,302	3,206,611	May 1, 1979	Mar. 1, 1993
HOCKING	1.25	2,026,495	2,079,129	2,519,146	2,819,259	2,724,117	Apr. 1, 1979	Jan. 1, 1998
HOLMES	1.00	3,591,111	3,615,131	3,894,484	4,171,202	4,270,098	July 1, 1977	Jan. 1, 1998
HURON	1.50	6,936,405	6,781,287	6,977,054	7,213,260	7,234,249	Feb. 1, 1978	Jan. 1, 1996
JACKSON	1.50	3,788,268	3,860,057	3,915,326	4,055,626	4,383,073	Apr. 1, 1982	Jan. 1, 1998
JEFFERSON	1.50	8,212,471	8,070,683	8,566,108	8,837,082	9,336,204	June 1, 1973	Nov. 1, 1994
KNOX	1.00	4,129,387	4,084,907	4,261,652	4,360,941	4,808,364	May 1, 1971	Feb. 1, 1994
LAKE	0.50	14,271,275	14,359,797	14,466,920	14,882,380	15,277,887	July 1, 1969	Aug. 1, 1988
LAWRENCE	1.50	5,907,330	5,977,278	6,372,556	5,751,625	6,332,245	June 1, 1986	June 1, 1998
LICKING	1.00	14,255,769	14,686,190	14,873,722	15,400,816	16,339,191	Feb. 1, 1971	Feb. 1, 1984
LOGAN	1.50	6,490,540	6,737,920	6,832,540	7,053,319	7,238,342	Jan. 1, 1974	July 1, 1997
LORAIN	0.75	18,596,540	19,346,425	20,506,375	20,611,361	21,904,257	July 1, 1985	July 1, 1995
LUCAS	1.25	67,926,364	67,081,391	68,211,381	67,006,778	69,957,182	Feb. 1, 1971	Jan. 1, 1993
MADISON	1.25	3,574,666	3,508,994	3,668,161	3,891,232	4,650,969	Mar. 1, 1983	July 1, 1999
MAHONING	1.00	23,935,036	25,388,374	25,819,561	26,657,490	27,537,042	Apr. 1, 1980	Jan. 1, 2000
MARION	1.00	6,094,993	6,018,733	6,187,872	6,235,262	6,365,990	Sep. 1, 1985	Apr. 1, 1992
MEDINA	0.50	7,564,323	7,701,566	8,137,853	8,465,661	8,882,248	Apr. 1, 1971	Apr. 1, 1971
MEIGS	1.00	1,178,407	1,150,382	1,119,751	1,101,934	1,071,185	Feb. 1, 1987	Feb. 1, 1987
MERCER	1.00	3,117,588	3,078,404	3,151,037	3,301,439	3,541,059	Nov. 1, 1971	July 1, 1987
MIAMI	1.00	9,048,808	9,145,706	9,613,548	9,648,601	10,449,156	Dec. 1, 1969	Nov. 1, 1999
MONROE	1.50	1,280,453	1,295,895	1,150,584	970,935	1,157,694	Oct. 1, 1986	Nov. 1, 1994
MONTGOMERY	1.00	64,101,822	63,935,967	62,952,069	64,564,376	65,568,624	Jan. 1, 1971	July 1, 1989
MORGAN	1.50	966,051	974,991	988,948	967,301	1,042,641	Feb. 1, 1972	Apr. 1, 1990

(Cont'd.)

Table 3 (cont'd.)
County and Transit Authority Permissive Sales Tax Collections
Calendar Years 2000 - 2004

County	Tax Rate 12/31/04	Amount of Tax Collections 2000	2001	2002	2003	2004	Initial Enactment	Effective Date of Current Rate
MORROW	1.50%	$2,219,450	$2,336,313	$2,320,573	$2,424,705	$2,487,996	July 1, 1971	July 1, 1995
MUSKINGUM	1.50	13,430,005	13,217,016	13,620,339	13,816,527	13,935,522	May 1, 1971	Apr. 1, 1993
NOBLE	1.50	847,078	875,360	881,894	919,946	909,810	Jan. 1, 1971	Feb. 1, 1995
OTTAWA	1.00	4,260,423	4,299,825	4,522,532	4,674,287	4,789,192	Oct. 1, 1973	Jan. 1, 1998
PAULDING	1.50	1,528,235	1,535,789	1,500,731	1,522,795	1,611,341	Apr. 1, 1984	Nov. 1, 1991
PERRY	1.00	1,505,218	1,467,299	1,573,349	1,580,310	1,677,500	Mar. 1, 1971	May 1, 1982
PICKAWAY	1.50	3,359,463	3,455,616	5,229,953	5,399,205	5,538,138	Oct. 1, 1983	Dec. 1, 2001
PIKE	1.00	2,014,065	1,891,196	2,041,571	2,041,142	2,094,889	May 1, 1988	May 1, 1988
PORTAGE	1.00	12,170,365	12,364,275	12,629,466	13,187,643	13,550,567	Apr. 1, 1971	Dec. 1, 1999
PREBLE	1.50	3,965,676	3,932,793	3,788,124	4,002,410	4,150,454	Nov. 1, 1979	May 1, 1994
PUTNAM	1.25	2,379,539	2,697,284	2,896,552	2,982,285	2,972,475	Jan. 1, 1974	June 1, 2001
RICHLAND	1.25	18,222,205	17,825,117	18,196,319	21,207,635	19,975,252	June 1, 1979	Jan. 1, 2004
ROSS	1.50	10,010,337	10,023,413	10,250,454	10,235,264	10,866,703	Jan. 1, 1980	Oct. 1, 1993
SANDUSKY	1.00	5,638,000	5,784,111	5,757,414	5,913,822	5,925,675	Aug. 1, 1979	Aug. 1, 1995
SCIOTO	1.50	5,402,810	7,113,715	8,233,430	8,250,582	8,394,244	May 1, 1979	May 1, 2001
SENECA	1.50	4,266,521	4,221,049	4,405,538	5,189,772	6,449,435	Oct. 1, 1983	Aug. 1, 2003
SHELBY	1.50	6,310,388	6,452,038	6,875,897	7,426,472	7,302,106	Mar. 1, 1971	Jan. 1, 1998
STARK	0.25	954,655	69,556	278,927	4,363,537	11,337,535	Jan. 1, 1987	July 1, 2003
SUMMIT	0.50	33,231,970	32,216,548	33,081,046	33,994,904	35,261,093	Mar. 1, 1973	Nov. 1, 1995
TRUMBULL	0.50	10,347,754	10,112,719	10,856,884	17,563,200	14,609,638	June 1, 1985	Apr. 1, 2004
TUSCARAWAS	1.00	8,550,283	8,516,440	8,690,202	8,692,703	9,156,759	Apr. 1, 1971	July 1, 1998
UNION	1.00	4,535,799	7,281,115	5,724,615	8,358,356	6,799,470	Apr. 1, 1989	Apr. 1, 1989
VAN WERT	1.50	3,009,268	3,179,041	3,163,301	3,364,282	3,439,543	Mar. 1, 1972	Mar. 1, 1991
VINTON	1.50	704,755	711,818	742,621	729,160	715,575	May 1, 1985	Mar. 1, 1992
WARREN	1.00	18,609,304	20,075,961	20,487,452	21,535,675	23,002,502	Jan. 1, 1972	Jan. 1, 1992
WASHINGTON	1.50	8,057,457	8,202,263	8,542,670	8,601,829	8,979,532	Oct. 1, 1983	Jan. 1, 1990
WAYNE	0.75	7,515,034	7,424,116	7,633,464	7,812,025	8,115,778	Mar. 1, 1971	Jan. 1, 1992
WILLIAMS	1.50	3,166,060	2,924,291	3,023,943	3,266,628	4,535,311	Dec. 1, 1977	Oct. 1, 1993
WOOD	1.00	11,981,660	12,465,150	13,063,171	13,619,983	14,195,793	June 1, 1971	Nov. 1, 1987
WYANDOT	1.00	1,612,759	1,639,128	1,623,637	1,813,228	1,865,055	Feb. 1, 1985	Jan. 1, 1988
County Total		**$1,061,637,557**	**$1,071,940,085**	**$1,101,546,982**	**$1,140,944,340**	**$1,200,755,686**		
Transit Authority								
Cleveland RTA (Cuyahoga Co.)	1.00	$161,991,565	$157,823,888	$156,735,486	$158,653,957	$167,894,949	Oct. 1, 1975	Oct. 1, 1975
Central Ohio TA (Franklin Co.)	0.25	42,128,119	41,601,224	41,334,523	43,205,469	44,940,803	Sep. 1, 1980	Feb. 1, 1990
LakeTran TA (Lake Co.)	0.25	7,130,985	7,175,596	7,202,698	7,440,529	7,637,135	Aug. 1, 1988	Aug. 1, 1988
Greater Dayton RTA (Montgomery Co.)	0.50	32,078,659	31,968,728	31,433,081	32,290,326	32,783,222	July 1, 1980	July 1, 1980
Portage Area RTA (Portage Co.)	0.25			2,564,174	3,281,207	3,390,061	Feb. 1, 2002	Feb. 1, 2002
Stark Area RTA (Stark Co.)	0.25	10,323,125	10,175,541	10,607,899	10,689,964	11,371,235	July 1, 1997	July 1, 1997
Metro TA (Summit Co.)	0.25	16,548,007	16,078,157	16,484,481	16,995,514	17,605,364	Feb. 1, 1991	Feb. 1, 1991
Transit Authority Total		**$270,200,460**	**$264,823,134**	**$266,362,341**	**$272,556,965**	**$285,622,770**		
TOTAL		**$1,331,838,017**	**$1,336,763,219**	**$1,367,909,324**	**$1,413,501,305**	**$1,486,378,456**		

Note: Some counties and transit authorities have repealed and then re-enacted the tax, or have changed the tax rate since the first enactment.

Source: Department of Taxation, Revenue Accounting Division.

Severance Tax

The severance tax, first levied in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. The tax produced approximately $7.6 million in FY 2005. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer (Ohio Revised Code 5749.02):

Each severer.

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):

Type of Resource	Rate
Salt	4.0 cents per ton
Coal	9.0 cents per ton*
Oil	10.0 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Limestone, Dolomite, Sand, and Gravel	2.0 cents per ton
Clay, Conglomerate, Gypsum, Quartzite, Sandstone, and Shale	1.0 cent per ton

* Includes temporary tax of 1.0 cent per ton.

Exemptions and Credits (R.C. 5749.03):

An annual exemption is granted for natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in their homestead, which have a yearly cumulative market value of $1,000 or less.

Special Provisions

Temporary Coal Tax (R.C. 5749.02(D)):

A temporary one cent per ton tax on coal is enacted if it is deemed in any year that the balance of the Reclamation Supplemental Forfeiture Fund, plus transfers to the fund and the estimated revenue for the fund, are not sufficient to reclaim lands during that year.

Filing and Payment Dates (R.C. 5749.06):

Quarterly — May 15, August 14, November 14, and February 14, for quarterly periods ending the last day of March, June, September, and December, respectively.

Annually — February 14 for annual returns.

Disposition of Revenue (R.C. 5749.02):

1. To fund the Geological Mapping Fund, the following distributions are made:
   (a) 6.3 percent of 7.0 of the 9.0 cents tax on coal;
   (b) 15 percent of salt severance tax collections;
   (c) 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
   (d) 10 percent of oil and gas severance tax collections.

2. To fund the Unreclaimed Lands Fund, the following distributions are made:
   (a) 21.6 percent of 7.0 of the 9.0 cents tax on coal;
   (b) 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
   (c) 85 percent of salt severance tax collections.

3. To fund the Oil and Gas Well Fund, 90 percent of the oil and gas severance tax collections is distributed to the fund.

4. To fund the Coal Mining Administration and Reclamation Reserve Fund, 57.9 percent of the remaining 7.0 cents tax on coal is distributed to this fund.

5. To fund the Reclamation Supplemental Forfeiture Fund, the following distributions are made:
   (a) One cent per ton levy on coal;
   (b) Revenue from the temporary one cent per ton levy on coal; and
   (c) 14.2 percent of 7.0 of the 9.0 cents per ton levy on coal.

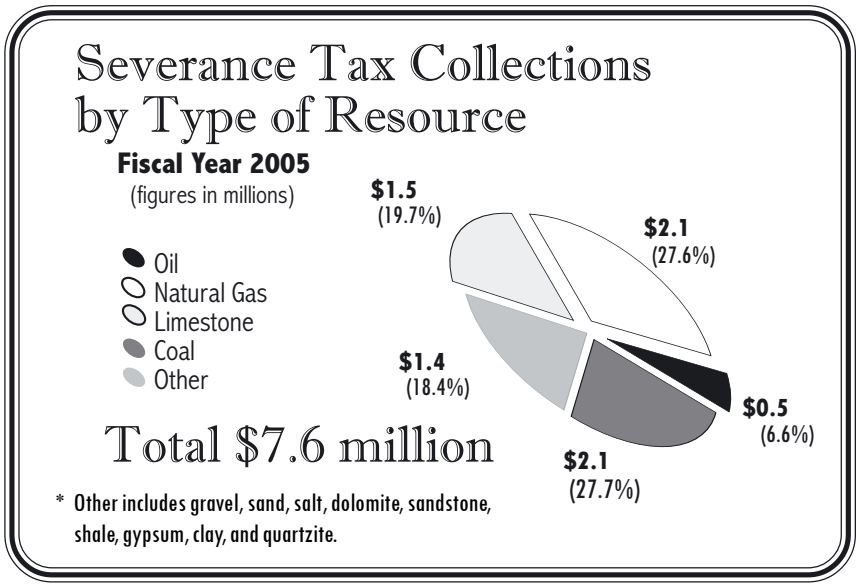
6. To fund the Surface Mining Administrative Fund, the following distributions are made:
   (a) 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
   (b) 100 percent of the clay, sandstone or conglomerate, shale, gypsum, and quartzite severance tax collections.

Administration:

The tax is administered and distribution to the various funds is made by the Tax Commissioner.

Ohio Revised Code Citations:

Chapter 5749.



Severance Tax Collections
Fiscal Years 2001- 2005

Natural Resource	Tax Rate	2001	2002	2003	2004	2005
Coal	9.0 cents per ton*	$2,094,472	$2,202,444	$1,897,705	$1,992,269	$2,052,560
Natural Gas	2.5 cents per 1,000 c.f.	2,322,192	2,245,761	2,251,683	2,155,185	2,104,101
Limestone	2.0 cents per ton	1,488,175	1,386,122	1,402,610	1,454,611	1,512,348
Oil	10.0 cents per barrel	561,682	553,643	570,225	535,399	510,481
Gravel	2.0 cents per ton	612,519	701,979	569,608	562,308	621,376
Sand	2.0 cents per ton	516,578	594,761	521,454	505,841	506,396
Dolomite	2.0 cents per ton	99,187	115,256	83,534	81,296	41,278
Salt	4.0 cents per ton	175,460	175,098	127,967	168,328	186,956
Clay	1.0 cent per ton	19,951	13,628	11,866	19,801	19,742
Sandstone	1.0 cent per ton	17,614	12,102	11,277	11,273	15,594
Shale	1.0 cent per ton	23,751	16,401	11,480	23,761	23,833
Gypsum	1.0 cent per ton	2,379	422	0	139	0
Quartzite	1.0 cent per ton	3,798	3,245	3,405	3,146	2,986
Total		**$7,937,758**	**$8,020,862**	**$7,462,814**	**$7,513,357**	**$7,597,651**

* Includes 1.0 cent in temporary levy (see **Special Provisions** section).

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

Tangible Personal Property

The tangible personal property tax is a tax on businesses in Ohio. Taxes levied on tangible personal property totaled approximately $1.65 billion in tax year 2004 on a taxable value of approximately $21.3 billion. The $10,000 exemption reduced the statewide taxable value by approximately $0.7 billion and taxes levied by $55.9 million in tax year 2004. The state reimbursed schools and local governments for this revenue loss. A phase-down of this reimbursement began in Fiscal Year 2004.

The tangible personal property tax is being phased out between 2006 and 2009 as part of the tax changes contained in Amended Substitute House Bill 66, the two-year state budget bill for Fiscal Years 2006-2007 (see **Recent Legislation**).

Taxpayer:

The tangible personal property tax is paid by two types of taxpayers: **inter-county** and **single-county**. An **inter-county** taxpayer is any business holding taxable tangible personal property in more than one county in Ohio. A **single-county** taxpayer is a business holding taxable tangible personal property in only one county in Ohio.

Tax Base (Ohio Revised Code 5701.03, 5701.08, 5709.01, 5711.03, 5711.15-5711.18, 5711.22):

The tax base is tangible personal property located and used in business in Ohio, including machinery, equipment, and inventories. The assessment percentage for tax year 2005 is 25 percent on everything except inventories. The inventory assessment percentage for tax year 2005 is 23 percent.

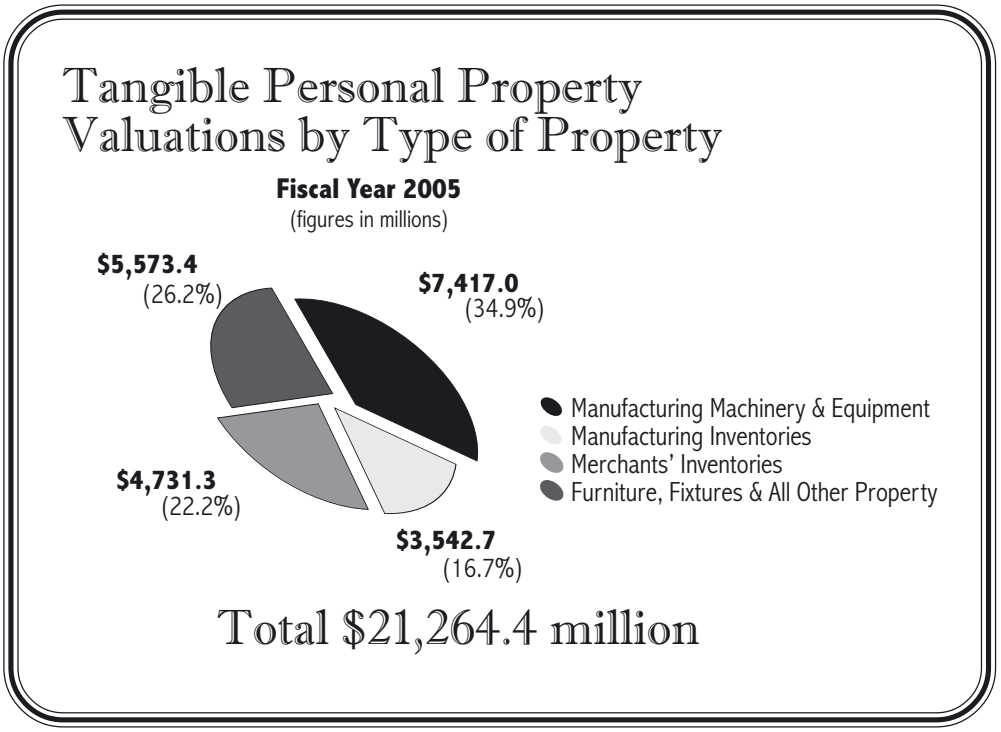
Taxable value is determined by applying various assessment percentages to the true value of different classes of tangible personal property. The true value of business property assets (machinery and equipment, furniture and fixtures, etc.) is statutorily defined as depreciated book value, unless the assessor determines otherwise. The true value of manufacturers' and merchants' inventories is determined by the average monthly value (basically cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally December 31).

Rates (R.C. 319.31, 5705.02, 5705.03, 5705.05, 5705.19):

Tangible personal property tax rates vary by taxing jurisdiction. The total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located (e.g. county, township, municipal corporation, school district, etc.). The rates applied to tangible personal property are the same as the rates applied to real estate and public utility property. However, gross taxes levied on real property are reduced when real property values increase, while taxes levied against tangible property are not reduced. The statewide average effective tax rate on tangible property in 2004 was 77.67 mills.

Exemptions and Exceptions:

1. The first $10,000 of otherwise taxable value for each company (R.C. 5709.01). However, beginning in tax year 2004, taxpayers with a taxable value of less than $10,000 are no longer required to file a return. A phasedown of the reimbursement to local subdivisions for the revenues lost due to this exemption began in FY 2004. The phase-down will end in FY 2009.
2. Property not used in business; i.e., property owned and not used for gain by any level of government, schools, churches, colleges, etc. (R.C. 5701.08, 5709.07, 5709.08, and 5709.12).
3. Registered motor vehicles and licensed aircraft (R.C. 5701.03 and 5709.01).
4. Personal property used in agriculture (R.C. 5701.08).



5. Patterns, jigs, dies, and drawings used in business which are held for use and not for sale (R.C. 5701.03).
6. Certified air, water, and noise pollution control facility equipment (R.C. 5709.25).
7. Tangible personal property of domestic and foreign insurance companies, financial institutions, and dealers in intangibles (except property held for the purpose of leasing to others) (R.C. 5725.25 and 5725.26).
8. Machinery and equipment while under installation or construction in a plant or facility and not capable of operation (R.C. 5701.08).
9. Certified energy conversion facilities — property used to convert a commercial or industrial facility from the use of natural gas or fuel oil to any other fuel except propane, butane, or naptha (R.C. 5709.25).
10. Certified thermal efficiency improvement facilities — property used for recovery and use of waste heat or steam produced in generating electricity, heat generation, lighting, refrigeration, or space heating (R.C. 5709.25).
11. Certified solid waste energy conversion facilities — property used to convert solid waste from industrial operations into energy for some useful purpose (R.C. 5709.25).
12. Inventories held in a foreign trade zone (R.C. 5709.44).
13. Property in a public recreational facility used for athletic events, if certain criteria are met (R.C. 5709.081).
14. Inventories shipped from outside Ohio, held in storage only, and shipped back out of Ohio (R.C. 5701.08 and 5711.22).
15. Leased property used by the lessee exclusively for agricultural purposes (R.C. 5701.08).
16. New and used machinery, equipment, and accessories designed and built for agricultural use, while in the inventory of a merchant (R.C. 5701.08).
17. Property used in the production of grape juice or wine and grape juice and wine inventory not held in labeled containers in which it will be sold (R.C. 5709.55).
18. Public recreational facility used by a major league athletic team if certain conditions are met (R.C. 5709.081).

Special Provisions

Enterprise Zone Abatement and $10,000 Exemption (R.C. 321.24, 5709.61-5709.69):

1. Companies may receive up to a 75 percent exemption for up to ten years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas. Exemptions may exceed these levels if agreed upon by school districts. Companies seeking to receive an exemption must submit an investment proposal to the local authority that created the zone where the operation will be located. Special exemptions are available for property being used at a facility located initially within a contaminated site which is being remedied and for property at a large manufacturing operation that has ceased or will cease operation.
2. The local revenue loss caused by the $10,000 exemption is reimbursed from state revenues. However, taxpayers with a taxable value of less than $10,000 are no longer required to file a return, beginning in tax year 2004. A phase-down of the reimbursement to local subdivisions for the revenues lost due to this exemption began in FY 2004. The phase-down will end in FY 2009 (see **Exemptions and Exceptions** and **Recent Legislation).**

Filing and Payment Dates (R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03):

February 15 to April 30: Returns are filed by all businesses during this period unless the county auditor or Tax Commissioner allows an extension to June 15. Taxpayers first engaging in business after January 1 file a return within 90 days of the day they start business. Single-county taxpayers pay one-half of tax due when filing tax returns.

Second Monday in August: The date the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

Third Monday in August: County auditor certifies and delivers tangible personal property list to the county treasurer.

September 20: Inter-county corporations pay total tax liability by this date. Second half of tax due from all other taxpayers. If an emergency occurs as defined in R.C. 323.17, this due date may be extended for up to 30 days by the county treasurer.

Disposition of Revenue (R.C. 319.50, 319.54, 5705.10, 5719.02, 5719.05):

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total voted millage levied by each or as apportioned by the county budget commission (for millage inside the 10-mill limit). In 2004, school districts received 71.5 percent of the total tax revenue, while municipalities received 5.6 percent, townships 3.9 percent, and counties and special districts 19.0 percent.

Administration (R.C. 5711.11, 5711.13):

Each county auditor is a deputy of the Tax Commissioner for purposes of this tax. Taxpayers are required to file annual returns with either the Tax Commissioner or the county auditor. The following table indicates where the returns are filed and who is responsible for assessing the property.

Taxpayer	Filed with and assessed by
Inter-county taxpayers (businesses with taxable property in more than one county)	Tax Commissioner
Single-county taxpayers* (businesses with taxable property in only one county)	County Auditor

* Returns are filed in duplicate with one copy forwarded to the Tax Commissioner.

Ohio Revised Code Citations:

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

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).
Tangible Personal Property Tax Phase-Out

The general business tangible personal property tax will be phased-out beginning in tax year 2006. The listing percentage (i.e., taxable portion) of the true value of all tangible personal property including inventory will be 18.75 percent for tax year 2006, 12.5 percent for tax year 2007, 6.25 percent for tax year 2008 and 0 percent for tax year 2009 and thereafter.

The one exception to these percentages will be for manufacturing equipment not previously used in business in this state by the owner, or related member, or predecessor of the owner before January 1, 2005. This equipment will not be taxed in tax year (i.e., calendar year) 2006 and thereafter. This exception does not apply to inventory.

New definitions for manufacturer, manufacturing equipment, manufacturing facility, and manufacturing inventory were created to distinguish manufacturing equipment that will not be taxed from other tangible personal property.

Other changes are highlighted below.

Starting in tax year 2007:

- Telephone companies and inter-exchange telecommunications companies will be defined as general business taxpayers instead of public utilities and will be valued and assessed under R. C. 5711;
- taxable value of telephone and inter-exchange telecommunications personal property will continue to be apportioned under R. C. 5727;
- assessment of telephone company and inter-exchange telecommunications company personal property will be phased-out over four years; and
- assessment percentage for all telephone and inter-exchange telecommunications personal property will be 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5.0 percent in 2010 and 0 percent in 2011.

Starting in tax year 2009:

- Defines a "public utility lessor company" as a taxpayer that leases personal property to a public utility other than a railroad, water transportation company, telephone or telegraph company and requires this taxpayer to report and pay the tax on the taxable personal property under R. C. 5727; and
- requires a taxpayer that is engaged in some other primary business to which the supplying of electricity to others is incidental to be treated as an electric company and required to report and pay the tax on the electric generation personal property.

Table 1
Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2000 - 2004

Calendar Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2000	$23,298,302,564	$1,720,740,378	3.70 %	4.62 %	73.86
2001	24,046,239,068	1,802,487,778	3.21	4.75	74.96
2002	23,296,013,406	1,768,343,517	-3.10	-1.9	75.91
2003	21,451,814,203	1,637,418,361	-7.9	-7.4	76.33
2004	21,264,429,182	1,651,707,142	-0.9	0.9	77.67

Table 2
Taxes Levied on Tangible Personal Property by Subdivision, Tax Years 2000 - 2004

Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District(a)	Township	County(b)		
2000	$104,293,885	$1,229,297,276	$62,229,758	$324,919,460	$309,354,628	$2,030,095,007
2001	106,582,761	1,291,626,108	68,679,274	335,599,634	355,417,154	2,157,904,932
2002	102,036,281	1,267,303,840	67,062,769	331,940,627	375,529,812	2,143,873,330
2003	93,547,557	1,174,325,644	64,089,237	305,455,923	397,404,921	2,034,823,282
2004	91,805,256	1,180,559,846	65,186,570	314,155,470	422,188,610	2,073,895,751

(a) Includes Joint Vocational Schools.
(b) Includes special districts.

Table 3
Taxes Levied on Tangible Personal Property in Ohio Cities, by Subdivision, Tax Years 2000 - 2004

Tax Year	Taxes Levied in Cities				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District(a)	Township	County(b)		
2000	$92,726,568	$838,712,173	$6,796,621	$223,796,859	$176,718,073	$1,338,750,294
2001	94,906,650	878,897,218	8,637,352	230,648,683	237,729,275	1,450,819,178
2002	90,971,227	867,288,963	7,793,821	228,421,803	254,458,590	1,448,934,404
2003	83,548,226	797,482,520	7,063,107	208,912,027	291,573,544	1,388,579,423
2004	81,650,597	794,411,073	7,009,862	212,647,084	290,270,093	1,385,988,710

(a) Includes Joint Vocational Schools.
(b) Includes special districts.

Table 4
Assessed Value of Tangible Personal Property, by Class of Property, Tax Years 2003 - 2004 (figures in millions)

	Assessment Levels (% of True Value)		Assessed Taxable Value of All Taxpayers	
Class of Property	**2003**	**2004**	**2003** (a)	**2004** (b)
Manufacturing Machinery & Equipment	25%	25%	$7,200.5	$7,417.0
Manufacturers' Inventories	23%	23%	3,854.8	3,542.7
Merchants' Inventories	23%	23%	4,759.5	4,731.3
Furniture, Fixtures, & All Other Property	25%	25%	5,637.0	5,573.4
Total			**$21,451.8**	**$21,264.4**

(a) Figures by class of property are estimated.

(b) Figures are derived by determining the percentage share accounted for by each tangible personal property class, using figures reported by the Department of Taxation for purposes of computing the tangible personal property tax value losses under H.B. 66, and applying those percentage shares to the total tangible personal property taxable value reported on county auditor abstracts. Railroad property has been excluded from these figures.

Table 5
Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1995 - 2005

Tax Year	Manufacturing Machinery and Equipment	Manufacturers' Inventories	Merchants' Inventories	Electrical Equipment*	All Other Property**
1995-2001	25 %	25%	25 %	100 %	25%
2002	25	24	24	100	25
2003-2005	25	23	23	100	25

* Property used in generating or distributing electricity to others (except utilities).

** Includes furniture and fixtures.

Table 6
Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2004

County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)
ADAMS	$21,092,160	$1,039,463	49.28
ALLEN	348,819,423	18,672,384	53.53
ASHLAND	82,742,270	5,459,085	65.98
ASHTABULA	194,743,560	14,875,032	76.38
ATHENS	34,140,202	2,837,958	83.13
AUGLAIZE	131,634,580	8,138,325	61.83
BELMONT	101,325,740	5,988,932	59.11
BROWN	19,952,466	976,351	48.93
BUTLER	725,428,781	47,916,290	66.05
CARROLL	28,894,765	1,637,421	56.67
CHAMPAIGN	76,619,532	5,026,164	65.60
CLARK	198,361,036	13,607,716	68.60
CLERMONT	187,676,532	15,281,357	81.42
CLINTON	108,947,622	5,926,348	54.40
COLUMBIANA	118,368,450	7,028,140	59.38
COSHOCTON	69,525,420	3,980,215	57.25
CRAWFORD	96,865,320	7,359,847	75.98
CUYAHOGA	2,301,118,453	221,785,477	96.38
DARKE	81,935,904	4,286,430	52.31
DEFIANCE	88,731,710	5,336,750	60.14
DELAWARE	230,226,578	15,837,490	68.79
ERIE	201,660,195	16,743,224	83.03
FAIRFIELD	132,636,353	10,038,242	75.68
FAYETTE	60,720,615	3,357,099	55.29
FRANKLIN	2,144,871,804	191,109,445	89.10
FULTON	120,723,740	8,469,295	70.15
GALLIA	45,177,704	1,786,580	39.55
GEAUGA	146,720,040	13,323,109	90.81
GREENE	165,190,986	12,376,242	74.92
GUERNSEY	83,597,560	4,780,292	57.18
HAMILTON	1,750,930,182	151,154,932	86.33
HANCOCK	249,127,286	13,888,759	55.75
HARDIN	46,778,086	2,615,011	55.90
HARRISON	18,563,680	1,130,801	60.91
HENRY	87,738,871	5,985,883	68.22
HIGHLAND	54,681,766	2,614,034	47.80
HOCKING	31,680,436	1,927,863	60.85
HOLMES	89,628,260	4,718,458	52.64
HURON	132,838,780	7,985,407	60.11
JACKSON	54,962,481	2,619,652	47.66
JEFFERSON	123,007,697	7,175,431	58.33
KNOX	98,542,581	5,893,185	59.80
LAKE	477,211,599	40,471,392	84.81
LAWRENCE	46,705,010	1,634,099	34.99
LICKING	229,187,480	13,865,508	60.50
LOGAN	$147,935,226	$9,164,247	61.95
LORAIN	478,747,700	37,283,742	77.88
LUCAS	818,804,370	75,671,421	92.42
MADISON	64,332,330	4,107,377	63.85
MAHONING	320,246,470	25,424,067	79.39
MARION	133,972,644	8,920,228	66.58
MEDINA	270,015,893	23,982,880	88.82
MEIGS	13,333,910	649,442	48.71
MERCER	63,338,900	3,199,395	50.51
MIAMI	274,246,400	18,726,904	68.28
MONROE	23,920,650	1,175,362	49.14
MONTGOMERY	957,605,747	85,669,099	89.46
MORGAN	10,520,059	529,700	50.35
MORROW	22,481,780	1,400,473	62.29
MUSKINGUM	132,770,565	8,852,426	66.67
NOBLE	14,678,570	701,891	47.82
OTTAWA	75,247,714	5,316,734	70.66
PAULDING	23,467,166	1,362,011	58.04
PERRY	23,790,978	1,446,599	60.80
PICKAWAY	96,379,475	5,448,418	56.53
PIKE	49,899,518	2,969,376	59.51
PORTAGE	252,825,944	22,071,405	87.30
PREBLE	75,319,600	4,088,928	54.29
PUTNAM	60,289,645	3,137,437	52.04
RICHLAND	291,908,819	22,606,540	77.44
ROSS	133,078,020	7,165,014	53.84
SANDUSKY	158,859,956	8,531,983	53.71
SCIOTO	72,068,000	4,134,855	57.37
SENECA	94,196,987	5,986,924	63.56
SHELBY	275,648,773	15,946,526	57.85
STARK	700,034,008	51,091,698	72.98
SUMMIT	1,057,763,907	86,283,125	81.57
TRUMBULL	396,191,078	27,920,802	70.47
TUSCARAWAS	194,661,340	12,595,105	64.70
UNION	236,356,050	17,335,226	73.34
VAN WERT	48,816,210	3,278,176	67.15
VINTON	13,333,369	582,139	43.66
WARREN	418,113,398	33,549,368	80.24
WASHINGTON	219,723,090	11,516,977	52.42
WAYNE	241,533,940	18,718,181	77.50
WILLIAMS	106,101,210	7,336,876	69.15
WOOD	295,136,567	23,772,720	80.55
WYANDOT	66,699,510	3,394,227	50.89
TOTAL	**$21,264,429,182**	**$1,651,707,142**	**77.67**

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 7
Tangible Personal Property Tax - Reduction in Taxable Value & in Taxes Levied Due to the $10,000 Exemption, by County, Tax Year 2004

County	Reduction in Taxable Value	Reduction in Taxes Levied*	County	Reduction in Taxable Value	Reduction in Taxes Levied*
ADAMS	$1,005,340	$51,164	LOGAN	$3,377,150	$212,688
ALLEN	7,781,850	429,596	LORAIN	15,187,440	1,168,876
ASHLAND	3,984,752	263,639	LUCAS	27,676,595	2,631,404
ASHTABULA	6,038,340	462,702	MADISON	1,723,330	113,204
ATHENS	2,605,282	213,243	MAHONING	17,454,190	1,384,112
AUGLAIZE	3,664,960	215,085	MARION	2,860,770	191,677
BELMONT	3,573,700	217,367	MEDINA	11,169,250	1,000,803
BROWN	1,587,156	78,977	MEIGS	818,680	39,728
BUTLER	19,352,091	1,357,498	MERCER	3,786,790	198,097
CARROLL	1,408,730	77,379	MIAMI	7,083,980	483,926
CHAMPAIGN	2,010,300	130,289	MONROE	649,600	33,021
CLARK	6,660,890	477,644	MONTGOMERY	32,502,750	2,986,259
CLERMONT	8,476,581	680,242	MORGAN	534,740	27,150
CLINTON	2,215,555	119,718	MORROW	1,273,800	71,840
COLUMBIANA	6,245,740	361,071	MUSKINGUM	5,541,440	375,685
COSHOCTON	2,373,370	148,792	NOBLE	536,770	25,696
CRAWFORD	2,850,640	219,881	OTTAWA	3,559,450	248,785
CUYAHOGA	83,578,358	8,400,336	PAULDING	1,150,902	70,697
DARKE	3,951,440	203,645	PERRY	2,507,672	156,962
DEFIANCE	2,801,700	168,107	PICKAWAY	1,889,210	106,651
DELAWARE	7,688,024	533,423	PIKE	1,055,040	64,625
ERIE	5,402,630	444,216	PORTAGE	9,630,381	857,149
FAIRFIELD	6,049,140	465,851	PREBLE	2,013,930	108,848
FAYETTE	1,604,293	88,589	PUTNAM	2,665,190	135,847
FRANKLIN	64,550,850	5,797,854	RICHLAND	7,726,510	607,682
FULTON	3,746,920	262,941	ROSS	3,290,850	178,613
GALLIA	1,695,884	71,084	SANDUSKY	4,221,809	228,706
GEAUGA	7,137,060	668,584	SCIOTO	3,673,620	226,697
GREENE	6,539,635	492,233	SENECA	3,340,564	204,829
GUERNSEY	2,474,100	152,560	SHELBY	3,903,890	234,467
HAMILTON	57,156,560	5,151,552	STARK	24,266,434	1,818,481
HANCOCK	5,637,680	326,572	SUMMIT	35,409,405	2,921,408
HARDIN	1,427,810	83,847	TRUMBULL	11,634,996	829,359
HARRISON	546,620	32,946	TUSCARAWAS	7,447,240	479,654
HENRY	2,028,266	138,946	UNION	2,629,540	190,831
HIGHLAND	2,564,730	118,467	VAN WERT	1,976,820	134,188
HOCKING	1,306,810	79,783	VINTON	562,911	25,909
HOLMES	7,223,380	379,362	WARREN	10,168,620	791,463
HURON	4,269,380	256,297	WASHINGTON	5,512,670	303,504
JACKSON	1,729,730	82,435	WAYNE	9,261,370	678,284
JEFFERSON	2,990,390	173,113	WILLIAMS	3,579,120	247,654
KNOX	3,244,987	201,995	WOOD	7,876,295	632,942
LAKE	17,905,530	1,524,590	WYANDOT	1,822,085	92,991
LAWRENCE	1,655,480	59,840			
LICKING	7,955,500	470,704	**TOTAL**	**$701,651,963**	**$55,855,548**

* Beginning in FY 2004, the reimbursement from the state to localities for the revenue foregone as a result of the $10,000 exemption is being phased out. The total reimbursement in FY 2005 was $74.8 million. In addition, due to a recent change in state law, taxpayers with less than $10,000 in assessed valuation (before the $10,000 exemption) no longer have to file a tax return. As a result, beginning in tax year 2004 the amount of reported reduced value and taxes foregone due to the $10,000 exemption is smaller than what was reported in previous years.

Source: Abstracts filled by county auditors with the Department of Taxation and records of the department.

Rule Review

Section 121.24(D) of the Ohio Revised Code requires the Department of Taxation to create a plan for periodic review of its administrative rules, at least once every five years. The department's rule review schedule is as follows:

Tax	Year
Sales/use tax	2006
Tangible personal property tax	2007
Administration and Division of Tax Equalization	2008
Excise taxes	2008
Franchise, income, and municipal taxes	2009
Estate tax and commercial activity tax (new)	2010

Section 121.24(E) of the Ohio Revised Code requires the Department of Taxation to designate an individual or office that is responsible for providing information on its administrative rules. The Office of Chief Counsel is the department's designated office. Rules are reviewed to determine if they are still necessary, need amending, or are to be rescinded in Ohio Administrative Code Chapter 5703.

Rules Reviewed in FY 2005

The following is a summary of the department's review of its estate tax rules in 2005:

5703-21-01	Requirements for filing a preliminary notice, an estimate of property, and estate tax return for a resident decedent's nontaxable estate. (necessary)
5703-21-02	Postponement of payment of estate tax attributable to reversionary or remainder interests. (necessary)
5703-21-03	Election notification and annual report for qualified farm property. (necessary)
5703-21-04	Extensions of time for payment for undue hardship. (necessary)

The Division of Tax Equalization's rules underwent a large-scale modification in 2003 which is not summarized here. The following are the division's rules in which action was taken in calendar year 2005 only:

5703-25-10	Classification of real property and coding of records. (amended)
5703-25-18	Partial exemption from real property tax. (new)

Index of Charts & 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.

Understanding the Department

• Responsibilities of the Department

— Table of Organization 8
— Table 1, ODT Staff Structure and Number of Employees, Fiscal Year 2005 9
— Table 2, Expenditures of the Ohio Department of Taxation by Division, Fiscal Year 2005 10

• Revenue from Taxes Administered by the Tax Commissioner

— Table 3, Collections for Taxes Administered by Ohio Tax Commissioner 18
— Table 4, General Revenue Fund Sources, Fiscal Year 2005 (excluding federal aid) 19
— Chart, Revenue Collections: Sales and Use, Individual Income, Corporation Franchise, and Public Utility Excise and Kilowatt-Hour Taxes, Fiscal Years 1995-2005 20
— Pie Chart, General Revenue Fund Tax Sources, Fiscal Year 2005 21
— Pie Chart, All State Tax Sources, Fiscal Year 2005 21

Service and Support

• Human Resources Division

— Bar Chart, ODT Total Number of Employees, Fiscal Years 1991-2005 31

• Operations Center

— Chart, Ohio Income & School District Income Tax Return Filing, 1997-2004 34
— Chart, Paper vs. Electronic 34

• Taxpayer Services/Compliance Division

— Table 1, Personal Property Tax Assessments, Calendar Years 2003-2004 37
— Table 2, Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection, Fiscal Years 2004-2005 38
— Table 3, Individual Income Tax and Corporation Franchise Tax Assessments Levied, Fiscal Years 2002-2005 38

Taxes Administered

• Alcoholic Beverage Tax

— Table 1, Payments and Credits, Fiscal Year 2005 43
— Table 2, Liability as Reported on Returns, Fiscal Years 2003-2005 43
— Table 3, Cuyahoga County Beer and Wine Liabilities as Reported on Returns, Fiscal Years 2003-2005 44
— Pie Chart, Alcoholic Beverage Tax Liabilities by Beverage (State Only), Fiscal Year 2005 44

• Cigarette and Other Tobacco Products Tax

— Table 1, Cuyahoga County Cigarette Stamp Sales, Fiscal Years 2000-2005 49
— Table 2, Cigarette Tax Receipts, Fiscal Years 2000-2005 49
— Table 3, Other Tobacco Products Tax Liabilities, Fiscal Years 2000-2005 49

• Corporation Franchise Tax

— Exhibit 1, Corporation Franchise Tax Net Worth Tax Base 51
— Exhibit 2, Corporation Franchise Tax Net Income Tax Base 51
— Bar Chart, Percentage of Corporations and Tax Liability by Tax Base, Tax Year 2004 58
— Pie Chart, Distribution of Revenue from Corporation Franchise Tax, Fiscal Year 2005 59
— Table 1, Corporation Franchise Tax Collections, Fiscal Years 2001-2005 59
— Table 2, Number of Corporations by Tax Base and Industry, Tax Year 2004 60
— Table 3, Number of Corporations by Tax Base and Tax Liability Level, Tax Year 2004 60
— Table 4, Reported Tax Liability by Tax Base and Industry, Tax Year 2004 61
— Table 5, Reported Tax Liability by Tax Base and Tax Liability Level, Tax Year 2004 62
— Table 6, Number of Manufacturing Corporations, by Tax Base and Industry, Tax Year 2004 63
— Table 7, Number of Manufacturing Corporations by Tax Base and Tax Liability Level, Tax Year 2004 64
— Table 8, Reported Tax Liability for Manufacturing Corporations, byTax Base and Industry Classification, Tax Year 2004 65
— Table 9, Reported Tax Liability for Manufacturing Corporations, by Tax Base and Tax Liability Level, Tax Year 2004 66
— Table 10, Number of Financial Institutions and Reported Tax Liability, by Type of Institution, Tax Year 2004 67

• Dealers in Intangibles Tax

— Table 1, Dealers in Intangibles Taxes Levied, Calendar Years 2001-2005 69
— Table 2, County Share of Intangible Property Taxes Assessed on Dealers in Intangibles, Tax Year 2005 69

• Estate Tax

— Exhibit, Taxable Estate Brackets 70
— Table 1, Estate Tax Collections and Distributions, Fiscal Years 2001-2005 72
— Table 2, Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets, Fiscal Year 2005 73
— Table 3, Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate, Fiscal Year 2005 74

• Horse Racing Tax

— Pie Chart, Horse Racing Tax Collections by Type of Meet, Fiscal Year 2005 78
— Table 1, Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2001-2005 79
— Table 2, Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts, Fiscal Year 2005 79

• Individual Income Tax – School District

— Table, School District Income Tax Collections for Fiscal Years 2002-2005 81

• Individual Income Tax — State

— Chart, General Computation of Tax Liability for the 2005 Individual Income Tax Return 83
— Pie Chart, Distribution of Revenue from Individual Income Tax, Fiscal Year 2005 86
— Pie Chart, Type of Payment to Individual Income Tax, Fiscal Year 2005 87
— Exhibit, 2003 Individual Income Tax Returns, Income and Tax, by Income Level 87
— Table 1, 2003 Ohio Individual Income Tax Returns, by Income Level 88
— Table 2, Comparison of 2002 and 2003 Individual Income Tax Returns 89
— Table 3, Comparison of 2002 and 2003 Individual Income Tax Returns with Tax Liability 89
— Table 4, 2003 Ohio Individual Income Tax Returns for All Filing Status Categories 90
— Table 5, 2003 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status 90
— Table 6, 2003 Ohio Individual Income Tax Returns Claiming Single Filing Status 91
— Table 7, 2003 Ohio Individual Income Tax Returns Claiming Married Separate Filing Status 91
— Table 8, 2003 Ohio Individual Income Tax Returns by Ohio Taxable Income Level 92
— Table 9, 2003 Ohio Individual Income Tax Returns Claiming the Joint Filer Credit 92
— Table 10, 2003 Ohio Individual Income Tax Returns Claiming the Senior Citizen Credit 93
— Table 11, 2003 Ohio Individual Income Tax Returns, by County 94
— Table 12, Rank of Counties by Average Income as Reported on 2003 Ohio Individual Income Tax Returns 95

• Kilowatt-Hour Tax

— Table, Kilowatt-Hour Tax Collections and Distributions, Fiscal Years 2001-2005 97

• Library and Local Government Support Fund

— Bar Chart, Library and Local Government Support Fund, Calendar Years 1999-2004 99
— Table 1, Library and Local Government Support Fund, Total Amounts Distributed to Counties, Calendar Years 1986-2004 100
— Table 2, Library and Local Government Support Fund, Amounts Distributed by County, Calendar Year 2004 101

• Local Government Funds — State and County

— Bar Chart, Distributions from State Local Government Fund, Calendar Years 1999-2004 103
— Table 1, Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1996-2004 104
— Table 2, Local Government Revenue Assistance Fund Distributions, Calendar Years 1996-2004 105
— Table 3, Local Government Fund - Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2004 106
— Table 4, Local Government Revenue Assistance Fund - Amounts Distributed to Counties, by County, Calendar Year 2004 107

• Motor Vehicle Fuel Tax

— Table 1, Distributions of Motor Fuel Tax, Fiscal Year 2005 111
— Table 2, Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2001-2005 111
— Table 3, Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2001-2005 111
— Table 4, Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments, by County, Calendar Year 2004 112

• Municipal Income Tax for Electric Light Companies & Telephone Companies

— Table, Revenue from Municipal Income Tax for Electric Light Companies & Telephone Companies, Calendar Years 2002-2004 113

• Natural Gas Consumption Tax

— Table, Natural Gas Consumption Tax Collections and Distributions, Fiscal Years 2002-2005 118

• Pass-Through Entity and Trust Withholding Tax

— Table 1, Pass-Through Entity Tax Liability (Form IT-1140), Tax Years 2001-2004 123
— Table 2, Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708), Fiscal Years 2001-2004 123

• Public Utility Excise Tax

— Pie Chart, Public Utility Excise Taxes Levied by Utility Type, Tax Year 2004 124
— Pie Chart, Distribution of Revenue, Public Utility Excise Tax Collections, Fiscal Year 2005 126
— Table, Public Utility Taxes Levied by Class of Utility, Tax Years 2000-2004 127

• Public Utility Property Tax

— Table 1, Certified Assessed Value by Class of Utility and Total Taxes Levied, Tax Years 2000-2004 131
— Pie Chart, Public Utility Personal Property Valuation by Type of Utility, Tax Year 2004 131
— Table 2, Assessed Value of Public Utility Personal Property and Taxes Levied, by County, Tax Year 2004 132

• Real Property

— Table 1, Assessed Value of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief, Tax Years 2000-2004 141
— Table 2, Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County, Tax Year 2004 142
— Table 3, Total Real Property Taxes, Values, and Effective Tax Rates, by County, Tax Year 2004 143
— Table 4, Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2004 144
— Table 5, Assessed Valuation of Exempt Real Property, by Ownership Classifications, Tax Years 1999-2004 145
— Table 6, Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Valuation, by County, Tax Year 2004 146
— Table 7, Number of Homestead Exemptions Granted, Average Reduction in Taxable Value, and Total Reduction in Taxes, by County, Tax Year 2003 147

• Replacement Tire Fee

— Table, Replacement Tire Fee Revenue, Fiscal Years 2001-2005 148

• Sales and Use Tax

— Pie Chart, Distribution of Revenue from Sales & Use Tax, Fiscal Year 2005 149
— Table 1, Collections by Type of Payments (Includes State and Local/Transit Authority Permissive Taxes) for Fiscal Year 2005 157
— Table 2, Number of Accounts, by Type and Payment Schedule (as of July 1, 2005) 158
— Table 3, County and Transit Authority Permissive Sales Tax Collections, Calendar Years 2000-2004 159

• Severance Tax

— Pie Chart, Severance Tax Collections by Type of Resource, Fiscal Year 2005 162
— Table, Severance Tax Collections, Fiscal Years 2001-2005 162

• Tangible Personal Property

— Pie Chart, Tangible Personal Property Valuations by Type of Property, Fiscal Year 2005 163
— Table 1, Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2000- 2004 165
— Table 2, Taxes Levied on Tangible Personal Property by Subdivision, Tax Years 2000-2004 166
— Table 3, Taxes Levied on Tangible Personal Property in Ohio Cities, by Subdivision, Tax Years 2000-2004 166
— Table 4, Assessed Value of Tangible Personal Property, By Class of Property, Tax Years 2003-2004 167
— Table 5, Listing Percentages Applied to the True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1995-2005 167
— Table 6, Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2004 168
— Table 7, Reduction in Taxable Value & in Taxes Levied Due to the $10,000 Exemption, by County, Tax Year 2004 169