

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*	<u>7,545,420</u>	<u>7,072,345</u>	<u>4,305,900</u>	<u>6,352,710</u>	<u>6,759,411</u>
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.