

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.

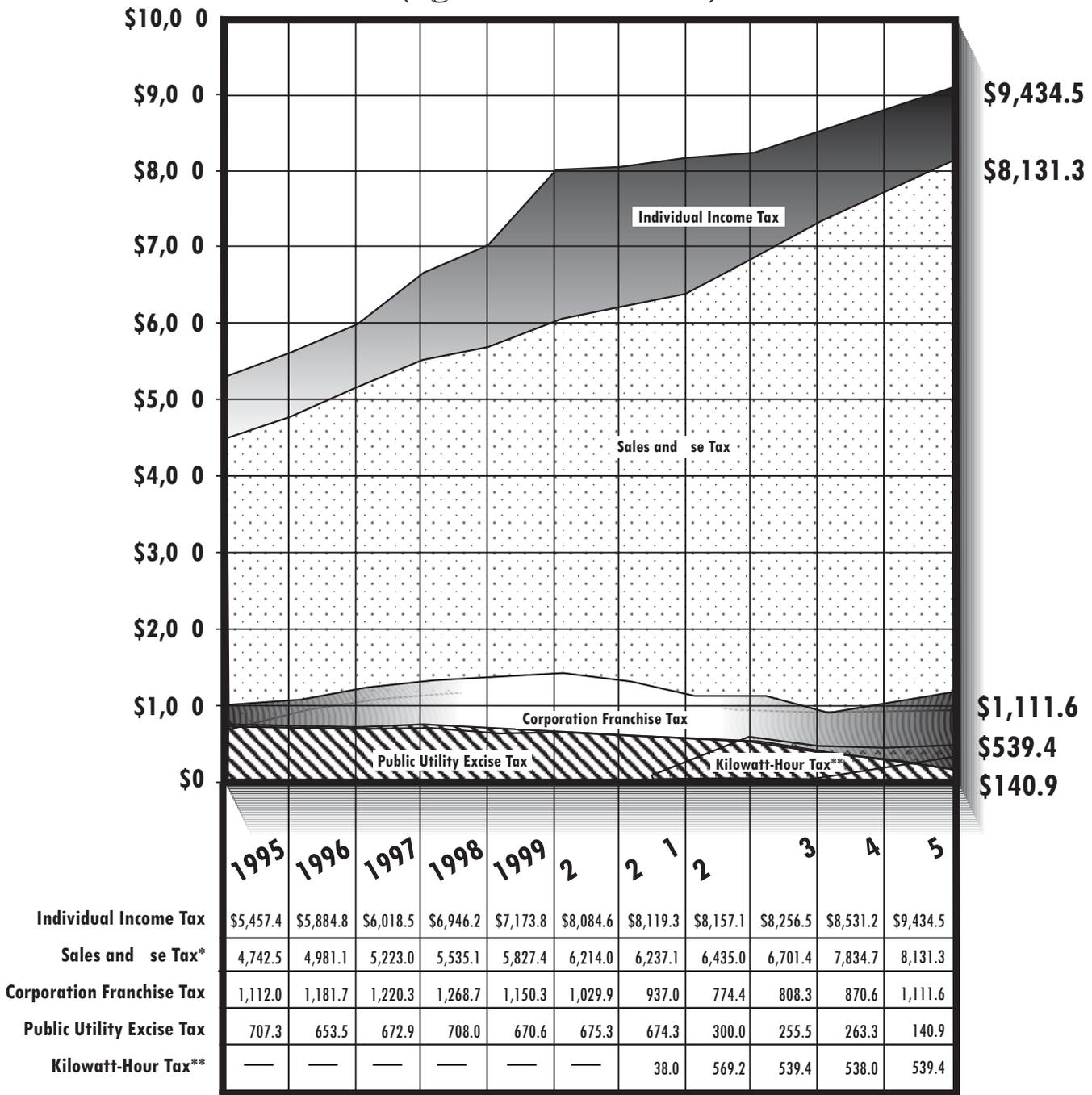
The total revenue from all state tax sources amounted to approximately \$23.2 billion. The second pie chart shows the taxes that comprise this total.

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 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) | <u>88,993,942</u> |
| 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 | <u>25,195,680</u> |
| Total | \$499,796,906 |
| Non-Tax Revenue Sources: | |
| Earnings on Investments | \$34,985,697 |
| Liquor Profits | 115,000,000 |
| Miscellaneous* | <u>665,804,599</u> |
| 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)



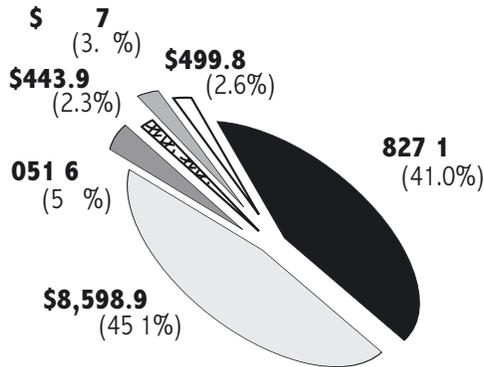
* Temporary two-year rate increase from 5% to 6% effective July 1, 2003. A permanent rate of 5.5% became effective July 1, 2005 (Fiscal Year 2006).

** 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*



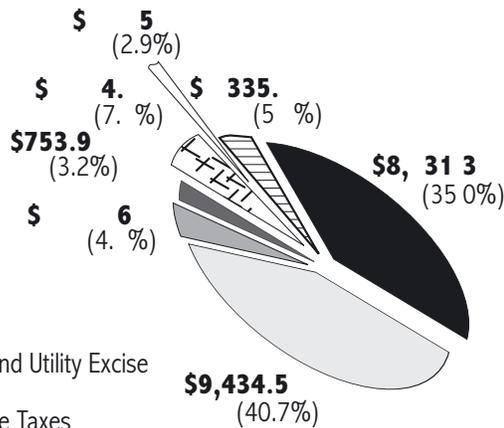
Total \$19,088.0 million

* 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.