

## DEALERS IN INTANGIBLES TAX

Ohio law provides for the taxation of shares in and capital employed by dealers in intangibles. In calendar year 2006, tax assessments on dealers in intangibles resulted in collections totaling nearly \$19.4 million, with approximately \$12.1 million distributed to local governments and \$7.3 million to the state General Revenue Fund. In addition, approximately \$11.1 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's 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.



(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 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.



**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.

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Also, as a result of a requirement set forth in Am. Sub. H.B. 66 and R.C. 5725.01 (B) (2), the Tax Commissioner promulgated Ohio Administrative Code rule 5703-

3-32, effective December 2005, which defined the term "primarily" as used in R.C. 5725.01 to describe a dealer in intangibles.

TABLE 1  
DEALERS IN INTANGIBLES TAXES LEVIED, CALENDAR YEARS 2002-2006

Distribution	2002	2003	2004	2005	2006
Local Share	\$11,229,780	\$7,176,496	\$10,587,846	\$11,265,677	\$12,094,989
State Share*	<u>7,072,345</u>	<u>4,305,900</u>	<u>6,352,710</u>	<u>6,759,411</u>	<u>7,256,993</u>
<b>TOTAL</b>	<b>\$18,302,126</b>	<b>\$11,482,396</b>	<b>\$16,940,556</b>	<b>\$18,025,088</b>	<b>\$19,351,982</b>

\*Does not include taxes levied on qualifying dealers in intangibles, amounting to \$24,299,670 in 2003, \$23,044,589 in 2004, \$17,970,397 in 2005, and \$11,125,886 in 2006.

TABLE 2  
COUNTY SHARE OF INTANGIBLE PROPERTY TAXES  
ASSESSED ON DEALERS IN INTANGIBLES, TAX YEAR 2005

County	County Share of Assessed Taxes	County	County Share of Assessed Taxes	County	County Share of Assessed Taxes
ADAMS	\$12,925	HARDIN	\$3,817	PICKAWAY	\$5,629
ALLEN	42,628	HARRISON	1	PIKE	33,457
ASHLAND	18,778	HENRY	15,866	PORTAGE	33,444
ASHTABULA	26,810	HIGHLAND	6,175	PREBLE	3,449
ATHENS	5,470	HOCKING	17,367	PUTNAM	1,173
AUGLAIZE	14,755	HOLMES	538	RICHLAND	62,235
BELMONT	5,530	HURON	23,623	ROSS	11,423
BROWN	2,339	JACKSON	19,833	SANDUSKY	6,699
BUTLER	79,217	JEFFERSON	28,756	SCIOTO	35,460
CARROLL	320	KNOX	20,782	SENECA	4,003
CHAMPAIGN	3,234	LAKE	111,266	SHELBY	11,734
CLARK	36,062	LAWRENCE	7,683	STARK	231,398
CLERMONT	45,234	LICKING	141,009	SUMMIT	665,392
CLINTON	4,485	LOGAN	25,542	TRUMBULL	47,338
COLUMBIANA	10,031	LORAIN	167,433	TUSCARAWAS	34,826
COSHOCTON	12,819	LUCAS	403,024	UNION	16,803
CRAWFORD	15,926	MADISON	14,404	VAN WERT	14,859
CUYAHOGA	2,795,704	MAHONING	145,196	VINTON	0
DARKE	9,163	MARION	31,345	WARREN	104,061
DEFIANCE	15,753	MEDINA	134,609	WASHINGTON	22,887
DELAWARE	20,239	MEIGS	883	WAYNE	32,402
ERIE	14,118	MERCER	7,565	WILLIAMS	14,012
FAIRFIELD	78,397	MIAMI	27,888	WOOD	10,478
FAYETTE	4,995	MONROE	4,545	WYANDOT	1,353
FRANKLIN	3,436,168	MONTGOMERY	605,086		
FULTON	1,495	MORGAN	1	<b>Total Local Revenue</b>	<b>\$12,094,989</b>
GALLIA	29,793	MORROW	1,266	(5 mills)	
GEAUGA	3,250	MUSKINGUM	34,598	<b>State General</b>	
GREENE	37,844	NOBLE	0	<b>Revenue</b>	<b>\$7,256,993</b>
GUERNSEY	24,419	OTTAWA	2,076	(3 mills)*	
HAMILTON	1,835,808	PAULDING	79		
HANCOCK	43,445	PERRY	1,069	<b>TOTAL</b>	<b>\$19,351,982</b>

\*Does not include \$11,125,886 in taxes levied on qualifying dealers in intangibles.