

Dealers in Intangibles Tax

Since 1931, Ohio law has provided for the taxation of shares in and capital employed by dealers in intangibles. The rate has been set at 8 mills since 1987.

During the 2007 calendar year, tax assessments on dealers in intangibles resulted in collections of nearly \$19.4 million, with approximately \$12.1 million distributed to local governments and \$7.3 million to the state General Revenue Fund.

In 2001, the Ohio General Assembly broadened the tax to include “qualifying dealers” – generally dealers in intangibles that are subsidiaries of a financial institution or an insurance company. During 2007, qualifying dealers generated an additional \$12.5 million for the 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:

- Shares of stock of incorporated dealers in intangibles and unincorporated dealers in intangibles with capital stock divided into shares; or
- 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)

The rate on fair value of shares or capital employed is eight mills (0.008).

Exemptions (R.C. 5725.01 and 5725.26)

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

- Institutions used exclusively for charitable purposes;
- Insurance companies; and
- 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.

Beginning in tax year 2008, any dealer in intangibles that incurs expenses rehabilitating historic buildings is eligible to claim a credit against their dealer in intangibles tax liability. If the dealer elects to take this credit, it cannot be applied against the liability of any other tax. The credit amount and tax year in which the historic preservation credit can be claimed shall be listed on a tax credit certificate issued by the Ohio Department of Development.

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 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)

All tax paid by dealers in intangibles that are subsidiaries of a financial institution or insurance company (“qualifying dealers”) is paid into the state General Revenue Fund.

For non-subsidiary dealers in intangibles:

- Three mills of receipts are credited to the state General Revenue Fund.
- Five mills of receipts are distributed to the county where the firm’s capital was employed (determined on the basis of gross receipts), placed in each county’s undivided local government funds and distributed among the local subdivisions by the county budget commission.

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

Substitute House Bill 149, 126th Ohio General Assembly (effective April 4, 2007).

The historic building preservation credit was enacted.

This refundable franchise tax credit, dealer in intangibles credit and income tax credit applies to owners that rehabilitate certain historic buildings located in Ohio. The credit equals 25 percent of the taxpayer-owner's "qualified rehabilitation expenditures" paid or incurred during the 24-month or 60-month rehabilitation period as shown on the taxpayer's rehabilitation tax credit certificate issued by the Ohio Department of Development.

Amended Sub. H.B. 66, 126th General Assembly (effective July 1, 2005).

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. (R.C. 150.07, 150.10, 5727.241)

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 Adm. Code 5703-3-32, effective December 2005, which defined the term "primarily" as used in R.C. 5725.01.

**Table 1
Dealers in Intangibles Taxes Levied:
Calendar Years 2003 - 2007**

Distribution	2003	2004	2005	2006	2007
Local Share	\$7,176,496	\$10,587,846	\$11,265,677	\$12,094,989	\$12,105,259
State Share ¹	4,305,900	6,352,710	6,759,411	7,256,993	7,263,155
TOTAL	\$11,482,396	\$16,940,556	\$18,025,088	\$19,351,982	\$19,368,414

¹ 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, \$11,125,886 in 2006 and \$12,499,308 in 2007.

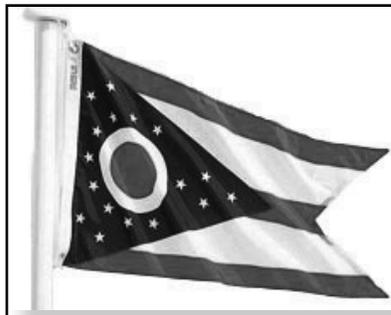


Table 2
County Share of Intangible Property Taxes
Assessed on Dealers in Intangibles:
Calendar Year 2007

County	County Share of Assessed Taxes	County	County Share of Assessed Taxes
ADAMS	\$1,281	LUCAS	\$390,849
ALLEN	53,364	MADISON	9,357
ASHLAND	10,768	MAHONING	187,455
ASHTABULA	29,095	MARION	37,891
ATHENS	9,824	MEDINA	168,228
AUGLAIZE	15,628	MEIGS	1,398
BELMONT	10,126	MERCER	11,052
BROWN	2,725	MIAMI	31,175
BUTLER	191,971	MONROE	5,387
CARROLL	380	MONTGOMERY	597,097
CHAMPAIGN	5,039	MORGAN	0
CLARK	36,675	MORROW	734
CLERMONT	52,979	MUSKINGUM	54,522
CLINTON	4,058	NOBLE	0
COLUMBIANA	16,476	OTTAWA	2,465
COSHOCTON	10,724	PAULDING	56
CRAWFORD	15,409	PERRY	1,069
CUYAHOGA	3,351,227	PICKAWAY	9,262
DARKE	12,506	PIKE	2,236
DEFIANCE	23,638	PORTAGE	39,114
DELAWARE	32,144	PREBLE	4,108
ERIE	30,459	PUTNAM	1,251
FAIRFIELD	49,922	RICHLAND	72,648
FAYETTE	7,885	ROSS	17,268
FRANKLIN	2,990,044	SANDUSKY	10,412
FULTON	1,731	SCIOTO	39,884
GALLIA	39,220	SENECA	7,101
GEAUGA	5,972	SHELBY	14,296
GREENE	41,533	STARK	265,618
GUERNSEY	29,467	SUMMIT	621,444
HAMILTON	1,341,344	TRUMBULL	64,262
HANCOCK	54,879	TUSCARAWAS	41,917
HARDIN	4,837	UNION	16,092
HARRISON	0	VAN WERT	8,926
HENRY	16,389	VINTON	3
HIGHLAND	9,694	WARREN	129,804
HOCKING	16,848	WASHINGTON	30,830
HOLMES	581	WAYNE	46,499
HURON	33,318	WILLIAMS	14,640
JACKSON	136,283	WOOD	11,912
JEFFERSON	34,843	WYANDOT	2,039
KNOX	28,553		
LAKE	107,839		
LAWRENCE	14,921		
LICKING	69,797		
LOGAN	29,532		
LORAIN	153,030		
		Total Local Revenue	\$12,105,259
		(5 mills)	
		State General	
		Revenue (3 mills)¹	\$7,263,155

¹ Does not include \$12,499,308 in taxes levied on qualifying dealers in intangibles.