

## Sales and Use Tax

**T**he sales and use tax is state government's second-largest source of revenue and also an important revenue source for county governments and regional transit authorities, which are authorized to levy "piggyback" taxes administered by the department.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted the tax with a 3 percent rate effective January, 1935. In 1967, the legislature adopted a 4 percent state rate and for the first time authorized county governments to levy piggyback taxes of their own, subject to repeal by a majority vote of the county electorate. In 1974, transit authorities were also granted the authority, with voter approval, to levy sales taxes.

The current state sales and use tax rate, 5.5 percent, was established on July 1, 2005. During Fiscal Year 2007, the tax generated about \$7.73 billion in revenue for state government. Of that amount 96.1 percent or \$7.4 billion was distributed to the General Revenue Fund. The balance was distributed to the Local Government Fund and Local Government Revenue Assistance Fund.

The department 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.

As of July 1, 2007, all 88 Ohio counties levied permissive sales and use taxes ranging in size from 0.25 percent to 1.5 percent. During the 2006 calendar year, the state collected over \$1,361.7 million for county governments from such levies.

As of July 1, 2007, seven transit authorities also levied sales and use taxes of up to 1 percent: the Greater Cleveland Regional Transit Authority, the Central Ohio Transit Authority, the Laketran Transit Authority, the Greater Dayton Regional Transit Authority, the Portage Area Regional Transit Authority, the Stark Area Regional Transit Authority and the (Summit County) Metro Regional Transit Authority. In calendar year 2006, the state collected more than \$288.8 million for these transit authorities.

Fiscal Year 2007 saw significant changes in the state's effort to become a full member of the Streamlined Sales and Use Tax Agreement, a multi-state effort to harmonize sales tax rules across state lines.

During FY 2007, Ohio was phasing in a requirement for vendors who engage in delivery sales to move toward destination sourcing of those sales – meaning calculating the rate at the destination of the sale rather than the location of the vendor. Vendors with \$30 million or more in delivery sales in the previous year were required to make

this switch by May 1, 2007, and the plan called for all other vendors to follow suit by Jan. 1, 2008.

But concern among small business owners prompted the General Assembly to put the effort on hold for smaller vendors.

In late 2007, the Streamlined Sales Tax Governing Board agreed to allow states like Ohio to become full members while sticking with the origin sourcing of intrastate delivery sales of tangible personal property. As a result, Ohio House Bill 429 was enacted in the spring of 2008. It requires the relative few delivery sellers who already made the switch to destination sourcing to go back to origin sourcing of delivery sales by Jan. 1, 2010.

**Taxpayer** (Ohio Revised Code 5739.01, 5739.03, 5739.031, 5739.17, 5741.01)

Any person, retailer, business, organization, or provider of taxable services 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. See Exhibit 1 for a description of taxpayers and applicable vendor's licenses.

**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:

- repair of tangible personal property;
- installation of tangible personal property;
- washing, cleaning, waxing, polishing, and painting of a motor vehicle;
- laundry and dry cleaning services;
- automatic data processing, computer services, and electronic information services used in business;
- telecommunications services;
- lawn care and landscaping;
- private investigation and security;
- building maintenance and janitorial services;
- employment services and employment placement services;
- exterminating services;
- physical fitness facility services;
- recreation and sports club services;
- mobile telecommunications services;
- satellite broadcasting services;

## Exhibit 1 Description of Sales Tax Taxpayers and Vendor's Licenses

Taxpayer	Cost of License	Description
<b>Vendor</b>	<b>\$25</b>	Each person or business establishment located in Ohio making retail sales.
<b>Service vendor</b>	<b>\$25</b>	Person or business that provides automatic data processing, computer services, and electronic information services; or 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; or snow removal services. The license is valid statewide.
<b>Transient vendor</b>	<b>\$25</b>	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
<b>Delivery vendor</b>	<b>\$25</b>	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.
<b>Seller</b>	<b>No fee</b>	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
<b>Direct pay permit holder</b>	<b>No fee</b>	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.
<b>Clerks of court</b>	<b>No fee</b>	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.
<b>Division of Liquor Control</b>	<b>No fee</b>	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
<b>Consumers' use tax account</b>	<b>No fee</b>	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.

- personal care services;
- transportation of persons by motor vehicle or aircraft entirely within this state;
- motor vehicle towing services; and
- 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, 5741.02, 5741.021-.023)

**State Rate:**

The state sales and use tax rate was temporarily increased from 5 percent to 6 percent for fiscal years 2004 and 2005. On July 1, 2005, the rate was changed permanently to 5.5 percent.

**Local rates:**

Current law gives counties the option of levying a sales tax of up to 1 percent for county general revenue, plus an additional tax of up to 0.5 percent for county general revenue or several specific purposes outlined in the Ohio Revised Code. These taxes, which must be in 0.25 increments, may be repealed by county voters.

Transit authorities are also 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 combined state and local tax rate as of July 1, 2007.

Total Rate	Number of Jurisdictions
6.00 %	3
6.25 %	5
6.50 %	27
6.75 %	13
7.00 %	39
7.50 %	1

(A combined sales tax schedule that includes local levies is specified in R.C. 5739.025.)

For most taxable sales, the rate is based on the location of the vendor from which the sale was made. Generally, the applicable use tax rate for all taxable sales on which no tax was paid to the vendor is based on the location of the purchaser.

Other exceptions include 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. For these services, the rate is based on the location where the service is purchased and performed or received.

Special sourcing rules are 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.

## Exemptions and Exceptions (R.C. 5709.25, 5739.01, 5739.011, 5739.02, 5741.02, 6121.16, 6123.041)

Exemptions and exceptions include:

- Copyrighted motion picture films unless solely used for advertising;
- 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**);
- The value of motor vehicles traded in on new motor vehicles sold by licensed new motor vehicle dealers;
- Tangible personal property or the benefit of a taxable service to be resold in the form received;
- The refundable deposit paid on returnable beverage containers, cartons, and cases;
- Tangible personal property used or consumed in commercial fishing;
- Sales to U.S. government agencies;
- Sales to the state or any of its political subdivisions;
- Food for human consumption off the premises where sold;
- Food sold to students in a dormitory, cafeteria, fraternity, or sorority;
- Newspapers;
- Magazine subscriptions or magazines distributed as controlled circulation publications;
- Motor vehicle fuel subject to the state motor fuel excise tax;
- Gas, water, and steam delivered through pipes or conduits by a utility company and electricity delivered through wires;
- Communications services provided by telegraph companies;
- Casual sales except for motor vehicles, titled watercraft and outboard motors, snowmobiles, and all-purpose-vehicles;
- Sales by churches and nonprofit organizations (excluding motor vehicles) provided that the number of sales does not exceed six days each year;
- Transportation of persons or property, except the transportation of persons specifically taxed as a service;
- 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;
- Sales to nonprofit hospitals and to those privately-held homes for the aged and hospital facilities that are financed with public hospital bonds;
- 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;
- Ships and rail rolling stock used in interstate or foreign commerce and material used for repair, alteration, or propelling such vessels;
- Material, machinery, equipment, and other items used in packaging property to be sold at retail;
- 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;
- Prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment sold pursuant to a prescription for use by a human being;
- Emergency and fire protection vehicles used exclusively by nonprofit organizations in providing emergency and fire protection services for political subdivisions;
- Sales to nonprofit community centers and to producers offering presentations in music, dramatics, the arts, and related fields to foster public interest and education;
- Motor vehicles sold in Ohio to nonresidents for titling and use in any other state (or, after Aug. 1, 2007, most other states; for details, see information release ST 2007-04 – “Sales and Use Tax: Sales of Motor Vehicles to Nonresidents of Ohio,” issued in August, 2007);
- Property used in the preparation of eggs for sale;

- Sales of property for use in agricultural production;
  - 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;
  - Sales to non-commercial, educational broadcasting stations;
  - Sales of animals by nonprofit animal shelters and county humane societies;
  - Items used in preserving, preparing, or serving food, or material used in maintaining or cleaning these items in a commercial food service operation;
  - 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;
  - Bulk water for residential use;
  - Sales of equipment used in qualified research and development;
  - Sales and installation of agricultural land tile and the sale and installation of portable grain bins to farmers;
  - Fees paid for the inspection of emission control equipment on motor vehicles;
  - Sales, leases, repairs, and maintenance of motor vehicles used primarily in providing highway transportation for hire;
  - Sales to state headquarters of veterans' organizations chartered by Congress or recognized by the U.S. Department of Veterans Affairs;
  - Normally taxable food items sold to persons using food stamps;
  - Sales of tangible personal property and services used directly in providing a telecommunications service, mobile telecommunications service, or satellite broadcasting service;
  - Trade-ins on purchases of new or used watercraft or outboard motors sold by licensed boat dealers;
  - Property and labor used to fulfill a warranty or service contract;
  - 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;
  - Sales of computer equipment used for educational purposes made to qualifying certified teachers;
  - Sales of certain tangible personal property made to qualified motor racing teams;
  - Twenty-five percent sales tax refund for qualified computer purchases for providers of electronic information services;
  - Sales of used manufactured and mobile homes;
  - Sales of coin-operated car washes;
  - The provision of self-service laundry or dry cleaning facilities;
  - 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 41102;
  - Sales of telecommunications services used directly and primarily to perform the functions of a call center;
  - Sales of personal property and services used directly and primarily in providing taxable intrastate transportation of persons;
  - Repair and replacement parts and repair and maintenance services for aircraft used primarily in a fractional aircraft ownership program;
  - Tax in excess of \$800 on any aircraft sold as a fractional share aircraft; and
  - Items held by a person, but not for that person's own use, and donated to a charitable organization or to the state or its political subdivisions for exclusively public purposes (use tax only).
- Additionally, Ohio law includes direct use and primary use exemptions.
- The direct use exemption applies to:
- material incorporated as a component part of tangible personal property produced for sale by manufacturing, assembling, processing, or refining;
  - 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;
  - tangible personal property used directly in rendering a public utility service;
  - 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
  - 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.

The primary use exemption refers to 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:

- production machinery and equipment that act upon the product;
- handling and transportation equipment (except licensed motor vehicles) used in moving property in or between plants during the production process;
- property used in producing property that is used or consumed in the production of a final product (use on use);
- coke, gas, water, steam, and similar substances used in the manufacturing operation;
- catalysts, solvents, water, acids, oil, and similar consumables that interact with the product and are an integral part of the manufacturing operation;
- property that is used to control, physically support, or is otherwise necessary for functioning of machinery and equipment and continuation of the manufacturing operation; and
- machinery and equipment, detergents, supplies, solvents, and any other tangible personal property located at a manufacturing facility that are used in the process of removing soil, dirt, or other contaminants from, or otherwise preparing in a suitable condition for use, towels, linens, articles of clothing, floor mats, mop heads, or other similar items, to be supplied to a consumer as part of laundry and dry cleaning services, only when the towels, linens, articles of clothing, floor mats, mop heads, or other similar items belong to the provider of the services.

## Special Provisions

### Cumulative filing (R.C. 5739.12 and 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.

### Pre-arranged agreements (R.C. 5739.05 and Rule 5703-9-08):

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.

### 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.

### Construction contractors (R.C. 5739.01 and Rule 5703-9-14):

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.

### 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 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. Currently, the tax is in effect in both the village and township of Put-in-Bay, as well as the village of Kelley's Island.

### 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 percent. Total combined local levies cannot exceed 6 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 Dec. 31, 1988 to enact an additional 4 percent lodging tax for convention facility or sports center construction. This tax is in addition to the combined maximum 6 percent rate for county, township, or municipal lodging taxes, thereby allowing a combined local rate of 10 percent.

### Payment by EFT (R.C. 5739.032, 5739.122, 5741.121):

Payment of tax returns is required to be made by electronic funds transfer (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.

### 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.

### Filing and Payment Dates (R.C. 5739.031, 5739.12, 5739.17, 5741.12, Rule 5703-9-10)

See Exhibit 2 for a summary of filing and payment dates.

## Exhibit 2

### Type of Sales Tax Returns and Filing Payment Dates

Type of Return	Taxpayer	Payment Date
Weekly	Clerk of court	Payment on Monday for taxes collected during the preceding week on motor vehicles, and on 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, which is the previous month.
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.

#### 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 net tax due.) For returns filed after June 30, 2007, the discount is 0.75 percent.

#### Disposition of Revenue

##### State Sales and Use Tax (R.C. 5739.21, 5741.03):

Traditionally, by statute, the Local Government Fund received 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 temporarily restructured this distribution. In FY 2007, the Local Government Fund received 3.4 percent, the Local Government Revenue Assistance Fund received 0.5 percent, and the General Revenue Fund received 96.1 percent of state sales tax revenue; this was per an uncodified provision of H.B. 66, the FY 2006-2007 biennial budget bill that froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels.

In H.B. 119, the FY 2008-2009 biennial budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January, 2008, all sales tax revenue will be directed to the General Revenue Fund. For

details on the local government fund changes, see the **Local Government Funds** chapter.

##### County Permissive Sales and Use Tax (R.C. 5739.21, 5743.03):

Ninety-nine percent of revenue is distributed to the general fund of the county that levied the tax. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

##### County Additional Permissive Sales and Use Tax (R.C. 5739.21, 5741.03):

Ninety-nine percent of revenue is distributed to the special purpose fund of the county that levied the tax. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

##### Transit Authority Sales and Use Tax (R.C. 306.31, 5739.21, 5741.03):

Ninety-nine percent of revenue is distributed to the general revenue fund of the transit authority that levied the tax for the purpose of acquiring, constructing, operating, maintaining, replacing, improving, and extending transit facilities. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

**Resort Area Tax (R.C. 5739.102):**

Ninety-nine percent of revenue is distributed to the appropriate taxing entity; one percent is credited to the state General Revenue Fund for the cost of administering the tax.

**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. 119, 127th General Assembly (provision below effective Aug. 1, 2007).**

Enacted R.C. 5739.029, which changed the application of Ohio sales tax on the purchase of motor vehicles by nonresidents. The bill extended the tax to motor vehicle purchases made by nonresidents of Ohio if the purchaser's home state: (1) collects sales tax from Ohio residents for motor vehicle purchases; and (2) offers a credit for taxes paid in Ohio. The change does not apply to leased vehicles.

**Sub. H.B. 149, 126th General Assembly (effective May 1, 2007).**

Added a new exemption for certain manufacturers. Pursuant to R.C. 5739.011(B)(13), equipment and supplies used to clean processing equipment that is part of a continuous manufacturing operation to produce milk, ice cream, yogurt, cheese and similar dairy products for human consumption are exempt from sales and use tax.

**Am. Sub. H.B. 699, 126th General Assembly (effective March 29, 2007).**

In R.C. 5739.01(P), defined a public utility service to include a citizen of the United States holding, and required to hold, a certificate of public convenience and necessity issued under 49 U.S.C. 41102. This bill also made certain other changes to R.C. 5739.09 that pertain to the lodging tax adopted on the county level.

**Sub. H.B. 293, 126th General Assembly (effective Jan. 1, 2007):**

Amended the definition of "employment service" found in R.C. 5739.01(JJ) to except from the definition of this taxable service personnel supplied from one employment service provider to another where the purchaser then supplies the personnel to a third party as an "employment service."

**Sub. H.B. 294, 126th General Assembly (effective Sept. 28, 2006).**

Required a certification by the Tax Commissioner on or before Feb. 1, 2007, that the Governing Board of the Streamlined Sales and Use Tax Agreement is providing certified service provider services for all delivery sales. If the certification was not made, vendors with delivery sales of less than \$30 million but more than \$5 million

were not required to convert to destination sourcing until Jan. 1, 2008 (Note: the Tax Commissioner did not make the certification).

**Am. Sub. S.B. 269, 126th General Assembly (effective Sept. 21, 2006).**

**R.C. 5741.02(C)(10)** – Exempted from use tax items held by a person, but not for the person's own use, and donated to a charitable organization or to this state or a political subdivision of this state exclusively for public purposes.

**Am. Sub. H.B. 530, 126th General Assembly (effective June 30, 2006).**

**R.C. 5739.011(A)(1) and (B)(12)** – Exempted machinery and equipment, detergents, supplies, solvents, and any other tangible personal property located at a manufacturing facility and used in the process of removing soil, dirt, or other contaminants from, or preparing in suitable condition for use, towels, linens, articles of clothing, floor mats, mop heads, or other similar items, to be supplied to a consumer as part of laundry or dry cleaning services when the towels, linens, articles of clothing, floor mats, mop heads, or other similar items belong to the provider of the services.

**R.C. 333.01 through 333.07, 5739.211 and 5741.031** – Allowed a county to enter into an agreement, prior to Dec. 1, 2006, with a person that proposes to operate an "impact facility" in the county, for the county to make payments of up to 75 percent of the sales tax collected at the facility to the operator of the facility for up to 10 years or until the person's "qualifying investment" in the facility is realized.

**Am. Sub. H.B. 66, 126th General Assembly (effective June 30, 2005).**

**R.C. 5739.12** – Extended the vendor discount of 0.9 percent – which was set to expire on June 30, 2005 – until June 30, 2007, when the discount dropped to 0.75 percent.

**Am. Sub. S.B. 26, 126th General Assembly (effective June 2, 2005).**

**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 was scheduled to be determined on a sliding scale over a period from May 1, 2006 to Jan. 1, 2008 depending on the amount of a vendor's delivery sales.

**Recent Court Decisions****Ameritech Publishing, Inc. v. Wilkins, 111 Ohio St.3d 114, 2006-Ohio-5337:**

A phone book publisher contracted with another company to produce directories for distribution to its customers. The amount of this contract was included in a use tax audit of the publisher. The publisher contended that the portion of the price designated for "paper management service" should not be subject to use tax because this involved a personal service in which the

contractor placed orders for paper with paper mills and monitored and controlled the use of that paper throughout the publishing process. The Supreme Court affirmed the finding of the Ohio Board of Tax Appeals (BTA) that the paper management service was part of the cost of the paper which was required for creating the phone books, and was not a personal service.

**Time Warner Operations, Inc. v. Wilkins, 111 Ohio St. 3d 559, 2006-Ohio-6210:**

The issue was whether Time Warner’s rental charges for converter boxes to its customers were taxable. The BTA had determined an exemption on the basis that the converter boxes were directly used in providing a public utility service. The Supreme Court reversed the decision finding that the exemption cited by the BTA applied only to purchases by the utility providers as consumers and not to sales made by them. Time Warner charged a monthly fee to its customers for the rental of the converter boxes and the Court concluded that the rental by Time Warner of the boxes to its customers was a sale on which tax should be charged.

**Recent Information Releases**

**ST 2007-05** – “Origin Sourcing of Delivery Sales,” October 2007.

**ST 2007-04** – “Sales of Motor Vehicles to Nonresidents of Ohio,” August 2007.

**ST 2007-03** – “Sales by School Support Groups and Other Charitable Organizations,” August 2007.

**ST 2007-02** – “Delivery Charges a Part of the Price of a Sale,” May 2007.

**ST 2007-01** – “Delay in Sourcing of Delivery Sales,” February 2007.

**ST 2006-01** – “Funeral Transactions,” October 2006.

**ST 2005-01** – “Vendor Compensation,” April 2005; revised July 2005 and April 2007.

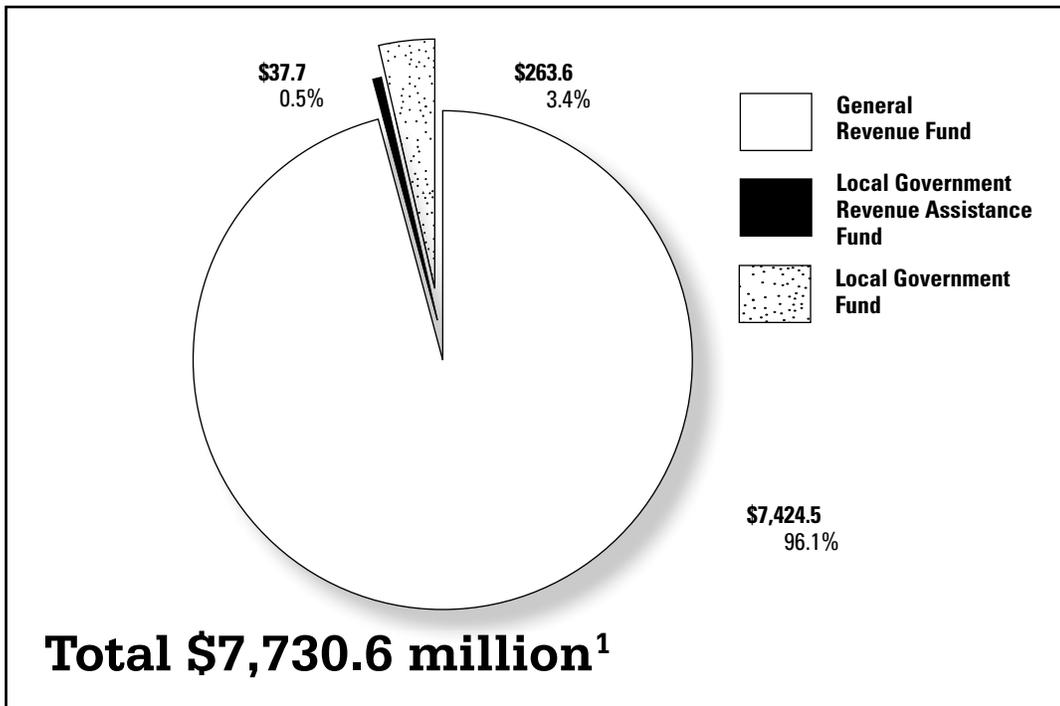
**ST 2004-01** – “Food Definition,” May 2004; revised June 2007.

**ST 2002-020** – “Portable Grain Bins, Field Tile, Livestock Structures, Horticulture Structures,” April 2002; revised May 2007.

**ST 1995-05** – “Price for Calculating Sales or Use Tax,” March 1995; revised February 2007.

**ST 1993-08** – “Employment Service,” September 1993; revised October 1993, December 2000, May 2006 and February 2007.

**Chart 1**  
**Distribution of Revenue from Sales & Use Tax:**  
**Fiscal Year 2007**  
 (figures in millions)



<sup>1</sup> Includes Attorney General collections which amount to \$4.8 million.

**Table 1**  
**Sales & Use Tax - Collections By Type of Payments:**  
(Includes State and Local/Transit Authority Permissive Tax)  
**Fiscal Year 2007**

Type	Amount
Vendor's Sales	\$ 6,665,043,606
Motor Vehicle and Water Craft (from Clerks of Court)	1,184,209,731
Seller's Use	963,112,107
Consumers' Use	306,552,359
Direct Payment	253,861,977
Streamlined Sales	1,377,988
Liquor Sales by Division of Liquor Control	29,131,982
Attorney General Sales and Use Tax Collections	33,258,865
<b>TOTAL State and Local Collections</b>	<b>\$9,436,548,615</b>
Less Local Sales and Use Tax Collections	1,672,539,664
<b>Total State Collections</b>	<b>\$7,764,008,951</b>

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 have not been 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 \$16,904,249. The local sales and use tax figure reflects collections during the July 2006-June 2007 period (rather than distributions made during the July 2006-June 2007 period).

**Table 2**  
**Sales & Use Tax - Number of Accounts, By Type and Payment Schedule**  
**(As of July 1, 2007)**

Accounts	Payment Schedule			Total
	Semi-Annual	Monthly	Quarterly	
Vendors (includes 39,671 master <sup>1</sup> accounts issued by counties)	102,260	78,777		181,037
Master <sup>1</sup> (accounts issued by the state)	214	3,421		3,635
Transient	30,649	3,299		33,948
Service	12,285	9,347		21,632
Delivery	7,789	1,612		9,401
Consumers	0	1,814	12,758	14,572
Direct-Pay	0	377	169	546
Out of State	6,818	7,690		14,508
<b>Grand Total</b>	<b>160,015</b>	<b>106,337</b>	<b>12,927</b>	<b>279,279</b>

<sup>1</sup> 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 2002 - 2006**

County	Tax Rate 12/31/06	2002	2003	2004	2005	2006	Initial Enactment	Effective Date of Current Rate
ADAMS	1.50	\$2,735,086	\$2,888,832	\$2,797,066	\$3,048,760	\$2,969,347	JUNE 1, 1991	APR. 1, 2006
ALLEN	1.00	13,133,787	13,229,392	14,105,944	14,436,614	14,481,886	MAY 1, 1970	JUNE 1, 1987
ASHLAND	1.25	5,220,317	5,155,880	5,425,965	6,148,759	6,124,578	MAR. 1, 1971	JAN. 1, 1998
ASHTABULA	1.00	7,986,904	7,977,386	8,428,479	8,777,806	8,649,601	APR. 1, 1977	JULY 1, 1985
ATHENS	1.25	5,233,606	5,403,916	5,651,235	5,808,440	5,995,215	FEB. 1, 1982	JAN. 1, 1994
AUGLAIZE	1.50	5,503,873	5,829,385	6,183,157	6,525,568	6,629,972	NOV. 1, 1973	JUNE 1, 1996
BELMONT	1.50	11,324,956	11,551,272	11,870,099	12,607,904	11,556,532	MAY 1, 1985	JAN. 1, 1995
BROWN	1.25	2,909,963	3,038,463	3,180,477	3,284,391	3,314,663	AUG. 1, 1979	JAN. 1, 1996
BUTLER	1.00	16,623,304	17,112,675	18,414,134	22,607,419	40,662,380	JUNE 1, 1985	OCT. 1, 2005
CARROLL	1.00	1,581,707	1,585,981	1,625,241	1,724,715	1,603,847	SEP. 1, 1985	JULY 1, 2006
CHAMPAIGN	1.50	2,586,881	3,100,915	4,013,697	4,357,255	4,550,508	JAN. 1, 1986	JULY 1, 2003
CLARK	1.00	17,344,078	12,243,342	12,563,786	16,494,817	18,400,110	NOV. 1, 1972	OCT. 1, 2006
CLERMONT	1.00	19,513,566	20,068,148	20,961,722	20,614,510	20,838,670	AUG. 1, 1979	OCT. 1, 1983
CLINTON	1.50	3,941,549	4,138,079	4,774,107	5,293,755	7,627,289	MAY 1, 1972	OCT. 1, 2005
COLUMBIANA	1.00	8,365,728	11,531,316	11,850,766	11,293,699	8,281,444	AUG. 1, 1985	SEP. 1, 2005
COSHOCTON	1.50	2,558,793	2,615,900	2,619,792	2,754,626	3,957,148	JUNE 1, 1971	JAN. 1, 2006
CRAWFORD	1.50	4,647,342	4,857,314	5,023,409	5,068,269	4,907,608	MAY 1, 1978	JULY 1, 1994
CUYAHOGA	1.00	156,713,498	158,633,995	167,870,952	167,156,017	169,299,614	SEP. 1, 1969	OCT. 1, 1987
DARKE	1.50	4,281,463	4,415,874	4,489,900	4,903,446	6,799,401	JULY 1, 1975	OCT. 1, 2005
DEFIANCE	1.00	4,658,543	4,254,886	4,482,197	4,433,635	4,546,018	FEB. 1, 1987	FEB. 1, 1987
DELAWARE	1.25	26,069,586	29,110,737	31,861,129	32,540,265	33,762,217	JAN. 1, 1972	OCT. 1, 1996
ERIE	1.00	10,801,348	11,452,269	11,607,891	12,091,821	12,448,397	MAR. 1, 1977	MAY 1, 1993
FAIRFIELD	0.75	9,988,803	9,978,566	10,339,538	10,863,626	11,011,730	SEP. 1, 1981	AUG. 1, 1995
FAYETTE	1.00	4,194,940	3,948,848	3,986,368	4,103,489	4,343,975	MAR. 1, 1983	JULY 1, 1988
FRANKLIN	1.00	79,621,688	81,681,821	85,587,547	97,652,189	172,872,499	SEP. 1, 1985	OCT. 1, 2005
FULTON	1.00	3,900,824	3,959,266	3,994,295	4,056,451	4,078,807	MAY 1, 1972	FEB. 1, 1987
GALLIA	1.25	3,480,707	3,596,869	3,681,635	3,707,314	3,873,943	DEC. 1, 1981	FEB. 1, 1995
GEAUGA	1.00	4,383,695	4,809,116	9,132,782	10,623,796	10,928,863	AUG. 1, 1987	FEB. 1, 2004
GREENE	1.00	18,228,212	18,393,495	19,571,707	19,258,566	20,408,306	MAR. 1, 1971	FEB. 1, 1987
GUERNSEY	1.50	5,303,637	5,223,689	5,495,869	5,607,908	5,824,558	FEB. 1, 1971	AUG. 1, 1993
HAMILTON	1.00	119,722,909	122,212,469	127,712,184	126,800,138	129,376,893	JUNE 1, 1970	JUNE 1, 1996
HANCOCK	0.50	4,865,680	6,074,558	7,847,608	7,049,929	5,377,722	FEB. 1, 1979	JULY 1, 2005
HARDIN	1.50	2,016,990	1,913,787	1,993,026	3,131,942	3,334,029	OCT. 1, 1985	JAN. 1, 2005
HARRISON	1.50	1,109,957	1,174,339	1,267,537	1,360,630	1,381,888	DEC. 1, 1985	JUNE 1, 1994
HENRY	1.00	2,262,060	2,283,066	2,421,135	2,492,774	2,934,326	MAR. 1, 1972	APR. 1, 2006
HIGHLAND	1.50	2,908,287	3,040,302	3,206,611	4,015,905	5,091,812	MAY 1, 1979	JULY 1, 2005
HOCKING	1.25	2,519,146	2,819,259	2,724,117	2,645,245	2,808,952	APR. 1, 1979	JAN. 1, 1998
HOLMES	1.00	3,894,484	4,171,202	4,270,098	4,442,924	4,312,824	JULY 1, 1977	JAN. 1, 1998
HURON	1.50	6,977,054	7,213,260	7,234,249	7,709,108	7,785,060	FEB. 1, 1978	JAN. 1, 1996
JACKSON	1.50	3,915,326	4,055,626	4,383,073	4,448,993	4,482,840	APR. 1, 1982	JAN. 1, 1998
JEFFERSON	1.50	8,566,108	8,837,082	9,336,204	9,431,938	9,722,077	JUNE 1, 1973	NOV. 1, 1994
KNOX	1.00	4,261,652	4,360,941	4,808,364	5,236,888	5,384,622	MAY 1, 1971	FEB. 1, 1994
LAKE	0.50	14,466,920	14,882,380	15,277,887	15,109,090	15,469,561	JULY 1, 1969	AUG. 1, 1988
LAWRENCE	1.50	6,372,556	5,751,625	6,332,245	6,244,193	6,496,600	JUNE 1, 1986	JUNE 1, 1998
LICKING	1.50	14,873,722	15,400,816	16,339,191	16,784,668	23,730,294	FEB. 1, 1971	JAN. 1, 2006
LOGAN	1.50	6,832,540	7,053,319	7,238,342	7,419,757	7,350,392	JAN. 1, 1974	JULY 1, 1997
LORAIN	0.75	20,506,375	20,611,361	21,904,257	22,040,916	23,025,723	JULY 1, 1985	JULY 1, 1995
LUCAS	1.25	68,211,381	67,006,778	69,957,182	70,590,574	70,824,075	FEB. 1, 1971	JAN. 1, 1993
MADISON	1.25	3,668,161	3,891,232	4,650,969	3,994,396	4,115,639	MAR. 1, 1983	JULY 1, 1999
MAHONING	1.00	25,819,561	26,657,490	27,537,042	17,624,685	27,620,917	APR. 1, 1980	OCT. 1, 2005
MARION	1.00	6,187,872	6,235,262	6,365,990	6,385,213	6,677,482	SEP. 1, 1985	APR. 1, 1992
MEDINA	0.50	8,137,853	8,465,661	8,882,248	9,247,658	9,557,722	APR. 1, 1971	APR. 1, 1971
MEIGS	1.00	1,119,751	1,101,934	1,071,185	1,090,965	1,158,194	FEB. 1, 1987	FEB. 1, 1987
MERCER	1.00	3,151,037	3,301,439	3,541,059	3,556,298	3,632,555	NOV. 1, 1971	JULY 1, 1987
MIAMI	1.00	9,613,548	9,648,601	10,449,156	10,398,535	10,415,469	DEC. 1, 1969	NOV. 1, 1999
MONROE	1.50	1,150,584	970,935	1,157,694	1,205,190	1,206,671	OCT. 1, 1986	NOV. 1, 1994
MONTGOMERY	1.00	62,952,069	64,564,376	65,568,624	65,853,110	64,734,278	JAN. 1, 1971	JULY 1, 1989
MORGAN	1.50	988,948	967,301	1,042,641	1,057,294	1,008,824	FEB. 1, 1972	APR. 1, 1990

(Cont'd. on the next page)

**Table 3 (cont'd.)  
County and Transit Authority Permissive Sales Tax Collections:  
Calendar Years 2002 - 2006**

County	Tax Rate	2002	2003	2004	2005	2006	Initial Enactment	Effective Date of Current Rate
MORROW	1.50	\$2,320,573	\$2,424,705	\$2,487,996	\$2,693,181	\$2,659,921	JULY 1, 1971	JULY 1, 1995
MUSKINGUM	1.50	13,620,339	13,816,527	13,935,522	14,152,783	14,774,019	MAY 1, 1971	APR. 1, 1993
NOBLE	1.50	881,894	919,946	909,810	1,008,093	1,005,701	JAN. 1, 1971	FEB. 1, 1995
OTTAWA	1.00	4,522,532	4,674,287	4,789,192	4,834,964	5,147,563	OCT. 1, 1973	JAN. 1, 1998
PAULDING	1.50	1,500,731	1,522,795	1,611,341	1,599,105	1,589,247	APR. 1, 1984	NOV. 1, 1991
PERRY	1.00	1,573,349	1,580,310	1,677,500	1,763,038	1,798,303	MAR. 1, 1971	MAY 1, 1982
PICKAWAY	1.50	5,229,953	5,399,205	5,538,138	5,567,490	5,711,366	OCT. 1, 1983	DEC. 1, 2001
PIKE	1.50	2,041,571	2,041,142	2,094,889	2,275,828	3,378,628	MAY 1, 1988	JAN. 1, 2006
PORTAGE	1.00	12,629,466	13,187,643	13,550,567	13,751,342	14,386,517	APR. 1, 1971	DEC. 1, 1999
PREBLE	1.50	3,788,124	4,002,410	4,150,454	4,436,626	4,388,893	NOV. 1, 1979	MAY 1, 1994
PUTNAM	1.25	2,896,552	2,982,285	2,972,475	3,211,813	3,152,349	JAN. 1, 1974	JULY 1, 2006
RICHLAND	1.25	18,196,319	21,207,635	19,975,252	17,304,647	18,303,057	JUNE 1, 1979	APR. 1, 2005
ROSS	1.50	10,250,454	10,235,264	10,866,703	10,668,371	11,219,815	JAN. 1, 1980	OCT. 1, 1993
SANDUSKY	1.25	5,757,414	5,913,822	5,925,675	5,876,824	6,928,914	AUG. 1, 1979	APR. 1, 2006
SCIOTO	1.50	8,233,430	8,250,582	8,394,244	8,449,421	8,744,475	MAY 1, 1979	MAY 1, 2001
SENECA	1.50	4,405,538	5,189,772	6,449,435	6,652,424	6,747,142	OCT. 1, 1983	AUG. 1, 2003
SHELBY	1.50	6,875,897	7,426,472	7,302,106	7,737,780	7,950,025	MAR. 1, 1971	JAN. 1, 1998
STARK	0.25	278,927	4,363,537	11,337,535	11,233,477	11,506,507	JAN. 1, 1987	JULY 1, 2003
SUMMIT	0.50	33,081,046	33,994,904	35,261,093	35,524,910	36,021,182	MAR. 1, 1973	NOV. 1, 1995
TRUMBULL	1.00	10,856,884	17,563,200	14,609,638	14,733,480	20,735,712	JUNE 1, 1985	JULY 1, 2005
TUSCARAWAS	1.00	8,690,202	8,692,703	9,156,759	9,072,030	9,267,067	APR. 1, 1971	JULY 1, 1998
UNION	1.00	5,724,615	8,358,356	6,799,470	7,070,147	7,163,498	APR. 1, 1989	APR. 1, 1989
VAN WERT	1.50	3,163,301	3,364,282	3,439,543	3,548,502	3,480,108	MAR. 1, 1972	MAR. 1, 1991
VINTON	1.50	742,621	729,160	715,575	763,791	790,618	MAY 1, 1985	MAR. 1, 1992
WARREN	1.00	20,487,452	21,535,675	23,002,502	24,605,083	24,976,707	JAN. 1, 1972	JAN. 1, 1992
WASHINGTON	1.50	8,542,670	8,601,829	8,979,532	8,956,175	9,411,203	OCT. 1, 1983	JAN. 1, 1990
WAYNE	0.75	7,633,464	7,812,025	8,115,778	8,342,911	8,294,021	MAR. 1, 1971	JAN. 1, 1992
WILLIAMS	1.50	3,023,943	3,266,628	4,535,311	4,529,832	4,754,966	DEC. 1, 1977	OCT. 1, 2003
WOOD	1.00	13,063,171	13,619,983	14,195,793	14,802,876	14,809,636	JUNE 1, 1971	NOV. 1, 1987
WYANDOT	1.50	1,623,637	1,813,228	1,865,055	1,932,519	2,806,218	FEB. 1, 1985	OCT. 1, 2005
<b>COUNTY TOTAL</b>		<b>\$1,101,546,982</b>	<b>\$1,140,944,340</b>	<b>\$1,200,755,686</b>	<b>\$1,221,774,249</b>	<b>\$1,361,669,941</b>		
CLEVELAND RTA (CUYAHOGA CO.)	1.00	\$156,735,486	\$158,653,957	\$167,894,949	\$167,165,307	\$169,262,438	OCT. 1, 1975	OCT. 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	0.25	41,334,523	43,205,469	44,940,803	44,741,979	46,371,674	SEP. 1, 1980	FEB. 1, 1990
LAKETRAN TA (LAKE CO.)	0.25	7,202,698	7,440,529	7,637,135	7,552,509	7,728,333	AUG. 1, 1988	AUG. 1, 1988
GREATER DAYTON RTA (MONTGOMERY CO.)	0.50	31,433,081	32,290,326	32,783,222	32,923,985	32,363,030	JULY 1, 1980	JULY 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	0.25	2,564,174	3,281,207	3,390,061	3,412,879	3,583,445	FEB. 1, 2002	FEB. 1, 2002
STARK AREA RTA (STARK CO.)	0.25	10,607,899	10,689,964	11,371,235	11,287,333	11,525,065	JULY 1, 1997	JULY 1, 1997
METRO TA (SUMMIT CO.)	0.25	16,484,481	16,995,514	17,605,364	17,749,845	17,989,459	FEB. 1, 1991	FEB. 1, 1991
<b>TRANSIT AUTHORITY TOTAL</b>		<b>\$266,362,341</b>	<b>\$272,556,965</b>	<b>\$285,622,770</b>	<b>\$284,833,837</b>	<b>\$288,823,443</b>		
<b>TOTAL</b>		<b>\$1,367,909,324</b>	<b>\$1,413,501,305</b>	<b>\$1,486,378,456</b>	<b>\$1,506,608,086</b>	<b>\$1,650,493,384</b>		

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.