

Tangible Personal Property Tax

The tangible personal property tax, which applies to property used in business in Ohio, is gradually being phased out as part of a broader series of tax reforms enacted in 2005 by the General Assembly.

During the 2006 tax year, taxes levied on tangible personal property totaled approximately \$1.35 billion on a taxable value of approximately \$16.7 billion.

The tangible personal property tax can be traced back to 1846, when the Ohio General Assembly enacted a law requiring that all property in Ohio be taxed by uniform rule. Since 1931, state law has limited the tax to machinery, inventory, furniture, fixtures and other equipment used in the course of conducting business.

The ongoing phase-out plan calls for the assessment percentage of tangible personal property to be gradually reduced to zero. For the 2007 tax year, tangible personal property was listed at 12.5 percent of true value. This listing percentage falls to 6.25 percent for 2008. When it falls to zero in 2009, Ohio will no longer have a general tax on tangible personal property used in business.

The tax will temporarily continue to apply to telephone companies and inter-exchange telecommunications companies. For these companies, the tax is being phased out according to a different schedule, with the assessment percentage falling to zero for the 2011 tax year.

Taxpayer

The tangible personal property tax is paid by two types of taxpayers: inter-county and single-county.

An inter-county taxpayer is any business holding taxable tangible personal property in more than one county in Ohio.

A single-county taxpayer is a business holding taxable tangible personal property in only one county in Ohio.

Tax Base (Ohio Revised Code 5701.03, 5701.08, 5709.01, 5711.03, 5711.15-.18, 5711.22)

The tax base is tangible personal property located and used in business in Ohio, including machinery, equipment, and inventories. The assessment percentage for all tangible personal property, including inventory, was 12.5 percent for tax year 2007 and 6.25 percent for tax year 2008.

Taxable value is determined by applying the applicable assessment percentages to the true value of different classes of tangible personal property. The true value of business property assets (machinery and equipment, furniture and fixtures, etc.) is statutorily defined as depreciated book value, unless the assessor determines otherwise. The true value of manufacturers' and merchants' inventories is determined by the average monthly value (basically

cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally Dec. 31).

Rates (R.C. 319.31, 5705.02, 5705.03, 5705.05, 5705.19)

Tangible personal property tax rates vary by taxing jurisdiction. The total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located (e.g. county, township, municipal corporation, school district, etc.).

The rates applied to tangible personal property are the same as the rates applied to real estate and public utility property. However, gross taxes levied on real property are reduced when real property values increase, while taxes levied against tangible property are not reduced. The statewide average effective tax rate on tangible property in 2006 was 80.71 mills.

Exemptions and Exceptions

Exemptions and exceptions include:

- The first \$10,000 of otherwise taxable value for each company (R.C. 5709.01). Since the 2004 tax year, taxpayers with a taxable value of less than \$10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in Fiscal Year 2004. The phase-out will end in FY 2009.
- Property not used in business – for example, property owned and not used for gain by any level of government, or schools, churches or colleges (R.C. 5701.08, 5709.07, 5709.08, and 5709.12).
- Registered motor vehicles and licensed aircraft (R.C. 5701.03 and 5709.01).
- Personal property used in agriculture (R.C. 5701.08).
- Patterns, jigs, dies, and drawings used in business which are held for use and not for sale (R.C. 5701.03).
- Certified air, water, and noise exempt facility equipment (R.C. 5709.20 through 5709.28).
- Tangible personal property of domestic and foreign insurance companies, financial institutions, and dealers in intangibles (except property held for the purpose of leasing to others) (R.C. 5725.25 and 5725.26).
- Machinery and equipment while under installation or construction in a plant or facility and not capable of operation (R.C. 5701.08).
- Certified energy conversion facilities, meaning property used to convert a commercial or industrial facility from the use of natural gas or fuel oil to any other fuel except propane, butane, or naphtha (R.C. 5709.25).

- Certified thermal efficiency improvement facilities, meaning property used for recovery and use of waste heat or steam produced in generating electricity, heat generation, lighting, refrigeration, or space heating (R.C. 5709.25).
- Certified solid waste energy conversion facilities, meaning property used to convert solid waste from industrial operations into energy for some useful purpose (R.C. 5709.25).
- Inventories held in a foreign trade zone (R.C. 5709.44).
- Property in a public recreational facility used for athletic events, or by a major league athletic team or a class A to class AAA minor league baseball team, if certain criteria are met (R.C. 5709.081).
- Inventories shipped from outside Ohio, held in storage only, and shipped back out of Ohio (R.C. 5701.08 and 5711.22).
- Leased property used by the lessee exclusively for agricultural purposes (R.C. 5701.08).
- New and used machinery, equipment, and accessories designed and built for agricultural use, while in the inventory of a merchant (R.C. 5701.08).
- Property used in the production of grape juice or wine and grape juice and wine inventory not held in labeled containers in which it will be sold (R.C. 5709.55).
- Manufacturing machinery and equipment first placed in service in Ohio on or after Jan. 1, 2005 (R.C. 5711.16 and 5711.22).

Special Provisions

Enterprise Zone Abatements (5709.61-.69):

Companies may receive up to a 75 percent exemption for up to ten years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas. Exemptions may exceed these levels if agreed upon by school districts.

Companies seeking this exemption must submit an investment proposal to the local authority that created the zone where the operation will be located. Special exemptions are available for property being used at a facility located initially within a contaminated site which is being remediated and for property at a large manufacturing operation that has ceased or will cease operation.

The \$10,000 Exemption (R.C. 5709.01):

The first \$10,000 of otherwise taxable value for each company is exempt. Since the 2004 tax year, taxpayers with a taxable value of less than \$10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in Fiscal Year 2004. The phase-out will end in FY 2009.

Filing and Payment Dates (R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03)

Feb. 15th to April 30th: Returns are filed by all businesses during this period unless the county auditor or Tax Commissioner allows an extension to June 15. Taxpayers first engaging in business after Jan. 1 file a return within 90 days of the day they start business. Single-county taxpayers pay one-half of tax due when filing tax returns.

Second Monday in August: The date the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

Third Monday in August: County auditor certifies and delivers tangible personal property list to the county treasurer.

Sept. 20th: Inter-county corporations pay total tax liability by this date, and the second half of tax is also due from all other taxpayers. If an emergency occurs as defined in R.C. 323.17, this due date may be extended for up to 30 days by the county treasurer.

Disposition of Revenue (R.C. 319.50, 319.54, 5705.10, 5719.02, 5719.05)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total voted millage levied by each or as apportioned by the county budget commission (for millage inside the 10-mill limit).

During 2006, school districts received 71.6 percent of the total tax revenue, while municipalities received 5.4 percent, townships 4.1 percent, and counties and special districts 18.9 percent.

Administration (R.C. 5711.11, 5711.13)

Each county auditor is a deputy of the Tax Commissioner for purposes of this tax.

Inter-county taxpayers – meaning businesses with taxable property in more than one county – file with and are assessed by the Tax Commissioner.

Single-county taxpayers – meaning businesses with taxable property in only one county – file with and are assessed by their county auditor. County auditors forward a copy of each return to the Tax Commissioner.

Ohio Revised Code Citations

Chapters 319, 323, 5701, 5705, 5709, 5711, and 5719.

Recent Legislation

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).

This legislation phases out the general business tangible personal property tax starting with tax year 2006 by gradually reducing the listing percentage (or taxable portion) of the true value of all tangible personal property. The listing percentages are 18.75 percent for tax

year 2006, 12.5 percent for tax year 2007, 6.25 percent for tax year 2008, and 0 percent for tax year 2009 and thereafter.

In addition, an exemption applies to manufacturing equipment not previously used in business in this state by the owner, or related member, or predecessor of the owner before Jan. 1, 2005. Such property is exempt from the tax starting with tax year 2006. The legislation included new definitions of manufacturer, manufacturing equipment, manufacturing facility, and manufacturing inventory in order to distinguish manufacturing equipment that will not be taxed from other tangible personal property.

Other changes are highlighted below:

Telephone companies and inter-exchange telecommunications companies – Starting with the 2007 tax year, such companies were defined as general business taxpayers instead of public utilities and began to see their listing percentages phased out according to the following schedule: 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5 percent in 2010, and 0 percent in 2011.

Public utility lessors – Beginning with tax year 2009, any person or entity that is not a public utility or an inter-exchange telecommunications company and that leases its personal property to a public utility, will be considered a “public utility lessor” and will be required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except (1) property leased to a public utility in a sale and lease-back transaction, and (2) property leased to a railroad, water transportation, telephone, or telegraph company. See R.C. 5727.01(M) for more information.

Electricity production – Beginning in tax year 2009, R.C. 5727.031 requires a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others to be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties.

Chart
Tangible Personal Property
Valuations by Type of Property:
Tax Year 2006
 (figures in millions)

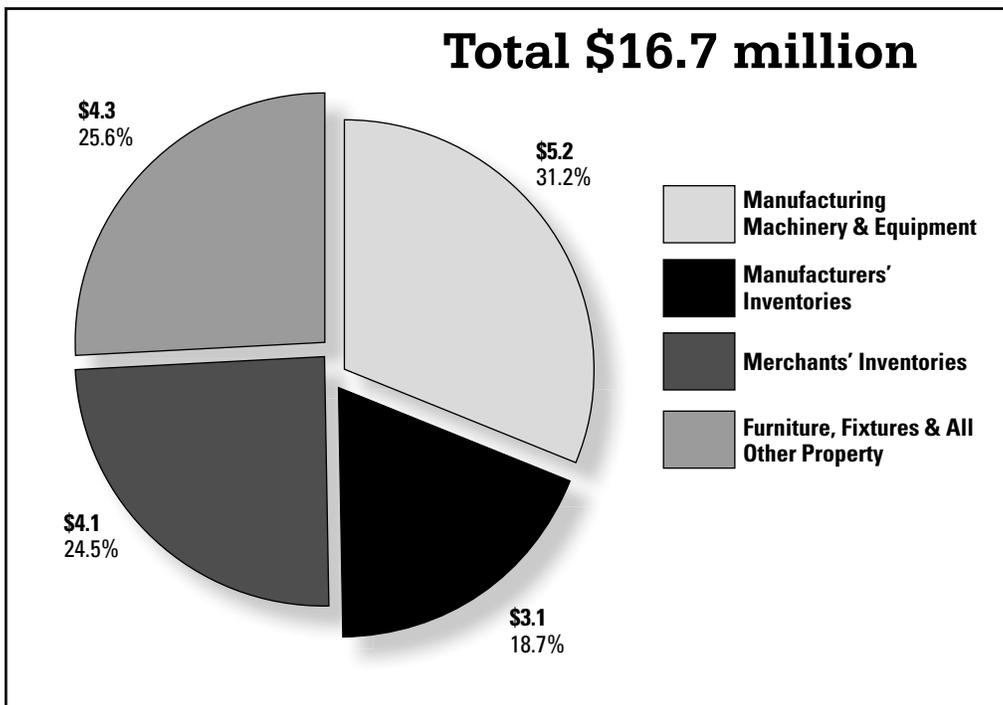


Table 1
Assessed Value of Tangible Personal
Property and Taxes Levied:
Tax Years 2002 - 2006

Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2002	\$23,296,013,406	\$1,768,343,517	-3.1%	-1.9%	75.91
2003	21,451,814,203	1,637,418,361	-7.9%	-7.4%	76.33
2004	21,264,429,182	1,651,707,142	-0.9%	0.9%	77.67
2005	21,330,431,245	1,695,986,799	0.3%	2.7%	79.51
2006	16,666,716,199	1,345,184,777	-21.9%	-20.7%	80.71

Table 2
Taxes Levied on Tangible Personal Property by Subdivision:
Tax Years 2002 - 2006

Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
2002	\$102,036,281	\$1,267,303,840	\$67,062,769	\$331,940,627	\$375,529,812	\$2,143,873,330
2003	93,547,557	1,174,325,644	64,089,237	305,455,923	397,404,921	2,034,823,282
2004	91,805,256	1,180,559,846	65,186,570	314,155,470	422,188,610	2,073,895,751
2005	91,706,105	1,219,108,372	66,583,844	318,588,478	478,564,314	2,174,551,113
2006	72,561,973	963,554,947	54,885,158	254,182,699	464,677,698	1,809,862,475

1 Includes Joint Vocational Schools.

2 Includes special districts.

Table 3
Taxes Levied on Tangible Personal Property in Ohio Cities,
by Subdivision:
Tax Years 2002 - 2006

Tax Year	Taxes Levied in Cities				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
2002	\$90,971,227	\$867,288,963	\$7,793,821	\$228,421,803	\$254,458,590	\$1,448,934,404
2003	83,548,226	797,482,520	7,063,107	208,912,027	291,573,544	1,388,579,423
2004	81,650,597	794,411,073	7,009,862	212,647,084	290,270,093	1,385,988,710
2005	81,300,541	820,752,565	6,990,412	214,755,299	307,210,705	1,431,009,522
2006	64,312,033	642,670,771	6,028,868	170,238,065	318,696,436	1,201,946,173

1 Includes Joint Vocational Schools.

2 Includes special districts.

Table 4
Assessed Value
of Tangible Personal Property, by Class of Property:
Tax Years 2005 - 2006
 (in millions of dollars)

Class of Property	Assessment Levels (% of True Value)		Assessed Taxable Value of All Taxpayers	
	2005	2006	2005 ¹	2006 ¹
Manufacturing Machinery & Equipment	25%	18.75%	\$7,437.2	\$5,206.4
Manufacturers' Inventories	23%	18.75%	3,653.7	3,116.3
Merchants' Inventories	23%	18.75%	4,802.5	4,084.5
Furniture, Fixtures, & All Other Property	25%	18.75%	5,437.1	4,259.5
Total			\$21,330.4	\$16,666.7

1 Figures by class of property are estimated. Railroad property has been excluded from these figures.

Table 5
Listing Percentages Applied to True Value of Tangible
Personal Property to Determine Taxable Value:
Tax Years 1996 - 2007

Tax Year	Manufacturing Machinery and Equipment	Manufacturers' Inventories	Merchants' Inventories	Electrical Equipment ¹	All Other Property ²
1996-2001	25.00%	25.00%	25.00%	88.00%	25.00%
2002	25.00	24.00	24.00	88.00	25.00
2003-2005	25.00	23.00	23.00	88.00	25.00
2006	18.75	18.75	18.75	85.00	18.75
2007	12.50	12.50	12.50	85.00	12.50

1 Property used in generating or distributing electricity to others (except utilities).
 2 Includes furniture and fixtures.



Table 6
Assessed Value of Tangible Personal Property, Taxes Levied and
Average County Rates on Tangible Property, by County:
Tax Year 2006

County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)	County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)
ADAMS	\$30,617,430	\$1,443,467	47.15	LOGAN	\$110,114,298	\$6,950,212	63.12
ALLEN	287,350,870	16,209,141	56.41	LORAIN	371,533,700	29,739,981	80.05
ASHLAND	69,636,129	5,216,797	74.92	LUCAS	678,743,597	63,774,019	93.96
ASHTABULA	145,496,550	11,284,529	77.56	MADISON	55,211,180	3,610,416	65.39
ATHENS	28,498,377	2,549,217	89.45	MAHONING	258,141,070	20,692,772	80.16
AUGLAIZE	110,027,310	6,900,962	62.72	MARION	110,699,321	7,148,635	64.58
BELMONT	79,062,260	4,815,012	60.90	MEDINA	212,205,993	19,436,663	91.59
BROWN	15,787,510	780,210	49.42	MEIGS	7,061,040	334,997	47.44
BUTLER	602,263,943	43,761,666	72.66	MERCER	52,903,563	3,089,619	58.40
CARROLL	23,331,335	1,371,892	58.80	MIAMI	200,084,380	13,796,655	68.95
CHAMPAIGN	53,913,596	3,631,372	67.36	MONROE	12,249,210	603,182	49.24
CLARK	156,577,600	10,777,791	68.83	MONTGOMERY	696,206,544	64,775,826	93.04
CLERMONT	157,880,130	13,685,482	86.68	MORGAN	7,918,660	399,753	50.48
CLINTON	96,917,587	5,041,390	52.02	MORROW	16,871,160	1,043,111	61.83
COLUMBIANA	89,812,660	5,298,574	59.00	MUSKINGUM	104,118,445	6,756,210	64.89
COSHOCTON	55,091,377	3,073,108	55.78	NOBLE	9,600,237	438,103	45.63
CRAWFORD	74,145,404	5,463,710	73.69	OTTAWA	58,884,045	4,166,083	70.75
CUYAHOGA	1,855,246,897	184,308,188	99.34	PAULDING	17,258,266	1,030,106	59.69
DARKE	59,295,470	3,065,670	51.70	PERRY	23,600,403	1,454,848	61.65
DEFIANCE	70,047,860	4,386,422	62.62	PICKAWAY	58,942,848	3,473,075	58.92
DELAWARE	194,609,287	14,884,366	76.48	PIKE	33,765,864	2,185,089	64.71
ERIE	146,213,020	12,376,133	84.64	PORTAGE	202,777,191	18,181,409	89.66
FAIRFIELD	99,524,045	7,832,204	78.70	PREBLE	60,032,920	3,393,770	56.53
FAYETTE	52,201,186	3,112,320	59.62	PUTNAM	45,317,652	2,363,501	52.15
FRANKLIN	1,665,060,603	160,205,310	96.22	RICHLAND	233,780,293	17,587,978	75.23
FULTON	106,199,910	7,605,522	71.62	ROSS	88,098,910	5,557,406	63.08
GALLIA	32,797,280	1,567,621	47.80	SANDUSKY	117,223,107	6,406,816	54.65
GEAUGA	122,982,640	11,783,457	95.81	SCIOTO	57,363,780	3,415,024	59.53
GREENE	123,370,153	9,658,399	78.29	SENECA	73,899,935	4,956,944	67.08
GUERNSEY	65,837,850	3,817,625	57.99	SHELBY	213,876,391	12,361,036	57.80
HAMILTON	1,299,883,680	113,203,767	87.09	STARK	570,150,181	42,233,964	74.08
HANCOCK	188,512,441	11,585,316	61.46	SUMMIT	824,841,940	71,705,217	86.93
HARDIN	42,737,742	2,467,502	57.74	TRUMBULL	337,960,439	24,273,206	71.82
HARRISON	19,075,950	1,145,585	60.05	TUSCARAWAS	149,615,440	9,855,658	65.87
HENRY	64,573,474	4,789,682	74.17	UNION	154,468,762	11,594,807	75.06
HIGHLAND	45,959,780	2,158,492	46.96	VAN WERT	38,591,090	2,666,387	69.09
HOCKING	22,126,957	1,344,555	60.77	VINTON	9,132,374	422,861	46.30
HOLMES	74,108,630	3,895,180	52.56	WARREN	356,815,050	31,402,556	88.01
HURON	88,153,120	5,475,752	62.12	WASHINGTON	162,806,810	8,459,455	51.96
JACKSON	45,019,650	2,167,679	48.15	WAYNE	191,621,050	15,447,403	80.61
JEFFERSON	102,147,765	6,100,769	59.72	WILLIAMS	79,002,590	5,588,118	70.73
KNOX	74,394,822	4,494,720	60.42	WOOD	233,692,653	19,648,675	84.08
LAKE	361,691,170	32,704,005	90.42	WYANDOT	47,121,477	2,347,105	49.81
LAWRENCE	34,657,630	1,253,050	36.16				
LICKING	189,573,260	11,722,516	61.84	TOTAL	\$16,666,716,199	\$1,345,184,777	80.71

Source: Abstracts filed by county auditors with the Department of Taxation.

Table 7
Tangible Personal Property Tax - Reduction in Taxable Value &
in Taxes Levied Due to the \$10,000 Exemption, by County: Tax Year 2006

County	Reduction in Taxable Value	Reduction in Taxes Levied ¹	County	Reduction in Taxable Value	Reduction in Taxes Levied ¹
ADAMS	\$832,810	\$42,320	LOGAN	\$2,739,700	\$174,578
ALLEN	6,524,440	372,371	LORAIN	12,766,890	1,010,057
ASHLAND	3,174,329	236,759	LUCAS	22,895,840	2,226,862
ASHTABULA	4,636,840	360,807	MADISON	1,587,890	103,880
ATHENS	2,226,435	194,137	MAHONING	14,289,680	1,142,310
AUGLAIZE	3,014,438	180,604	MARION	2,413,970	156,153
BELMONT	2,862,540	179,543	MEDINA	9,100,790	846,424
BROWN	1,088,680	54,908	MEIGS	733,570	34,243
BUTLER	16,458,850	1,246,606	MERCER	3,227,090	191,433
CARROLL	1,160,850	67,127	MIAMI	5,646,970	389,186
CHAMPAIGN	1,645,690	107,067	MONROE	607,050	31,033
CLARK	5,593,990	400,793	MONTGOMERY	26,326,440	2,519,925
CLERMONT	6,927,700	591,307	MORGAN	395,840	20,253
CLINTON	2,093,510	108,588	MORROW	898,250	51,420
COLUMBIANA	5,031,230	289,411	MUSKINGUM	4,401,710	288,070
COSHOCTON	1,790,960	113,465	NOBLE	529,900	24,337
CRAWFORD	2,303,800	170,680	OTTAWA	2,671,720	187,021
CUYAHOGA	67,904,653	6,990,190	PAULDING	952,190	58,221
DARKE	3,191,140	160,797	PERRY	1,333,729	84,688
DEFIANCE	2,262,080	142,078	PICKAWAY	1,560,360	95,544
DELAWARE	6,946,290	534,194	PIKE	1,008,579	63,552
ERIE	4,184,750	352,543	PORTAGE	7,528,170	685,217
FAIRFIELD	4,994,650	394,193	PREBLE	1,398,340	77,433
FAYETTE	1,399,254	83,931	PUTNAM	2,252,297	114,990
FRANKLIN	52,425,490	5,084,898	RICHLAND	6,381,670	483,888
FULTON	2,974,860	212,869	ROSS	2,705,020	168,486
GALLIA	1,364,590	69,357	SANDUSKY	3,618,650	198,019
GEAUGA	5,921,390	568,990	SCIOTO	2,688,640	170,023
GREENE	5,255,858	409,427	SENECA	2,815,025	181,931
GUERNSEY	1,967,010	120,433	SHELBY	3,244,640	196,235
HAMILTON	46,183,250	4,165,280	STARK	18,690,671	1,418,175
HANCOCK	4,623,360	294,411	SUMMIT	29,643,630	2,621,900
HARDIN	1,204,590	72,819	TRUMBULL	9,514,589	689,779
HARRISON	515,760	31,090	TUSCARAWAS	6,401,700	422,948
HENRY	1,842,160	134,213	UNION	2,483,070	177,523
HIGHLAND	1,830,280	84,125	VAN WERT	1,572,350	109,330
HOCKING	1,022,950	62,622	VINTON	410,720	19,610
HOLMES	6,191,020	323,335	WARREN	9,184,260	774,218
HURON	3,787,710	232,548	WASHINGTON	4,165,900	225,911
JACKSON	1,344,473	64,597	WAYNE	7,692,360	584,516
JEFFERSON	2,641,840	155,685	WILLIAMS	2,871,320	202,107
KNOX	2,748,295	168,590	WOOD	7,075,905	591,965
LAKE	15,381,770	1,370,574	WYANDOT	1,508,940	76,866
LAWRENCE	1,333,600	49,651			
LICKING	6,081,410	371,545	TOTAL	\$574,827,600	\$47,311,739

¹ Beginning in fiscal year 2004, the reimbursement from the state to localities for the revenue foregone as a result of the \$10,000 exemption is being phased out. The phase-out will be fully implemented in fiscal year 2009. The total reimbursement in FY 2007 was \$38.3 million. In addition, beginning in tax year 2004 taxpayers with less than \$10,000 in assessed valuation (before the \$10,000 exemption) no longer have to file a tax return. As a result, the amount of reported reduced value and taxes foregone due to the \$10,000 exemption is smaller than what was reported prior to tax year 2004.