

Revenue From Taxes Administered by the Tax Commissioner

The Tax Commissioner's primary responsibility is the administration of most state and some local taxes. These taxes yielded approximately \$27.2 billion in net collections during the period of this report, Ohio's 2008 fiscal year, which is the period from July 1, 2007 through June 30, 2008. A breakdown of the collections from these taxes is shown in Table 1 for both state-collected taxes, represented by fiscal year, and locally-collected taxes, on a calendar year basis.

Readers of Table 1 should keep in mind 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 the 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. Thus, these collections are not shown in Table 1.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately \$25.2 billion during the fiscal year. This was an increase of close to \$376 million from the previous fiscal year, or about 1.5 percent. Receipts from locally-collected taxes were approximately \$1.9 billion in the 2007 calendar year, a decrease of about \$510 million from the prior year, or about 20.8 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2008. Excluding federal aid, total revenue amounted to approximately \$21 billion. Of this total, tax revenue represented \$19.4 billion, a slight decline from 2007.

As the table shows, the largest single revenue source was the individual income tax, with approximately \$9.1 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than \$7.6 billion. From the 2007 to the 2008 fiscal years, income tax revenue increased by approximately 2.6 percent, and sales tax collections increased by 2.6 percent.

Over the last decade, the individual income and sales taxes have been the primary sources of tax revenue for the state. The income tax demonstrated continuous growth, although this growth was lethargic earlier this decade (due to the effects of the 2001 recession). Growth was also tempered, starting in fiscal year 2006, by the annual 4.2 percent tax rate reductions enacted into law in 2005. Sales tax revenues demonstrated long-term growth until fiscal year 2006, when the

state sales tax rate decreased from 6 percent to 5.5 percent (this decrease is in contrast to fiscal year 2004, when the rate increased from 5 percent to 6 percent). Growth was tepid in fiscal years 2007 and 2008.

Ohio's other major taxes have experienced quite disparate patterns, largely due to tax law changes.

Corporation franchise tax revenues actually declined earlier this decade, followed by a robust recovery in recent years; however, a scheduled five-year phase-out for most of this tax began in tax year 2006, ensuring future revenue decline.

Beginning in fiscal year 2008, the cigarette tax became the third-largest tax source for the General Revenue Fund. This is because the cigarette tax rate has increased several times in recent years: from 24 cents per pack to 55 cents per pack beginning in fiscal year 2003; and from 55 cents per pack to \$1.25 per pack beginning in fiscal year 2006.

Public utility excise tax revenue has declined substantially from its pre-2002 levels, but this is partially offset by the creation of the kilowatt-hour tax in May 2001. This tax replaced the excise tax for electric and rural electric companies. The kilowatt-hour tax generated \$570.7 million in revenue in fiscal year 2008, of which only \$231.2 million was deposited into the General Revenue Fund. The remaining \$339.5 million was distributed to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.6 percent of total General Revenue Fund taxes in fiscal year 2008. Most of the remaining 2.4 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 46.9 percent of tax revenue into the general fund for fiscal year 2008.

The total revenue from all state tax sources amounted to approximately \$24.4 billion. The second pie chart shows the taxes that comprise this total.

Further statistical information on most of these taxes is contained in other 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 1

Collections For Taxes Administered by Ohio Tax Commissioner					
This table shows both gross and net tax collections for both state-collected and locally-collected taxes. For state-collected taxes, "gross tax collections" are equal to total taxes collected, including taxes which were later refunded. Net tax collections are equal to gross collections, less all refunds. Note: because the data for state-collected taxes is from the state accounting system contained within the Ohio Administrative Knowledge System (OAKS), the figures here will differ from data shown elsewhere in this report. Other tables in this report frequently represent taxes reported as shown on returns filed during the fiscal year, rather than actual collections during the fiscal year. For locally-collected taxes, collections are shown on a calendar year, rather than a fiscal year, basis.					
State-Collected Taxes	Gross Tax Collections		Net Tax Collections		Percent Change, 07-08
	FY 2007	FY 2008	FY 2007	FY 2008	
State Sales and Use	\$7,781,271,507	\$7,934,680,868	\$7,730,587,499	\$7,865,674,145	1.75%
Local Sales and Use	1,681,832,728	1,733,861,123	1,681,832,728	1,733,861,123	3.09%
Resort Area Excise	772,161	754,847	772,161	754,847	-2.24%
State Personal Income	10,940,715,865	11,090,146,951	9,722,927,924	9,848,196,993	1.29%
Municipal Income Tax for Electric Light Companies	36,618,389	46,435,875	36,618,389	46,435,875	26.81%
Corporation Franchise ¹	1,302,582,439	963,244,229	1,125,654,284	754,632,965	-32.96%
Motor Vehicle Fuel ²	1,743,380,632	1,869,300,786	1,719,809,186	1,848,394,073	7.48%
Public Utility Excise	172,114,993	160,939,829	171,264,380	160,778,908	-6.12%
Kilowatt-Hour Excise	559,739,638	570,736,625	559,739,638	570,676,257	1.95%
Natural Gas Consumption	69,278,451	69,635,315	69,278,451	69,635,315	0.52%
Cigarette Excise	996,572,328	953,155,346	986,251,518	950,940,161	-3.58%
Local Cigarette Excise ³	13,523,100	23,727,508	13,234,387	23,503,589	77.59%
Dealer in Intangibles	31,688,318	34,714,926	31,276,002	34,497,821	10.30%
Motor Fuel Use	66,885,059	66,838,597	65,633,923	65,587,460	-0.07%
Alcoholic Beverage Excise ⁴	57,219,571	57,857,190	57,219,571	57,734,549	0.90%
Replacement Tire Fee	7,302,429	7,350,774	7,234,255	7,264,062	0.41%
Local Alcoholic Beverage ^{4,5}	5,530,693	5,901,305	5,530,693	5,891,210	6.52%
Horse Racing	12,116,102	10,714,277	12,116,102	10,714,104	-11.57%
Severance ⁶	7,014,934	9,419,090	7,014,934	9,419,090	34.27%
School District Income	287,556,626	336,536,822	271,181,352	316,717,931	16.79%
Commercial Activity Tax ⁷	599,478,167	964,685,475	594,948,144	961,397,859	61.59%
Total State-Collected Taxes	\$26,373,194,133	\$26,910,637,758	\$24,870,125,521	\$25,342,708,338	1.90%
Locally-Collected Taxes	Tax Collections		Percent Change, 06-07		
	CY 2006	CY 2007			
Tangible Personal Property ⁸	\$1,345,184,777	\$1,002,333,421	-25.49%		
Public Utility Property ⁹	745,800,863	621,194,887	-16.71%		
Estate ¹⁰	359,431,099	317,049,185	-11.79%		
Total Locally-Collected Taxes	\$2,450,416,739	\$1,940,577,493	-20.81%		

1 For most taxpayers, the corporation franchise tax is being phased out over a five-year period, beginning in tax year 2006.

2 Fiscal year 2007 motor fuel tax revenues have been revised from those that appeared in the 2007 report, which were erroneous. In addition, because the due date for the June 2007 tax return was the first business day of July 2007, a significant portion of the tax deposits for that month were received in early fiscal year 2008 instead of late fiscal year 2007. As a result, fiscal year 2007 reflects less than a full-year's worth of tax revenue.

3 Collected for Cuyahoga County. A new additional levy of 30 cents per pack took effect on Feb. 1, 2007.

4 Excludes tax on liquor since it is administered by the Ohio Department of Commerce, Division of Liquor Control.

5 Collected for Cuyahoga County.

6 The severance tax rate on coal was increased effective April 1, 2007.

7 The commercial activity tax is being phased in over a five-year period, beginning in fiscal year 2006.

8 The tangible personal property tax is being phased out over a four-year period, beginning in tax year 2006.

9 Consists of tangible personal property taxes levied for collection in the following year.

10 Consists of fiscal year 2007 and 2008 data, respectively (rather than calendar years 2006 and 2007).

Sources: For fiscal year 2007, the state-collected taxes data is based on revenue reports issued by the Office of Budget and Management. For fiscal year 2008, the state-collected taxes data was extracted from the state accounting system (OAKS) on July 30, 2008. Data on locally collected taxes is based on the Department of Taxation's own data sources.

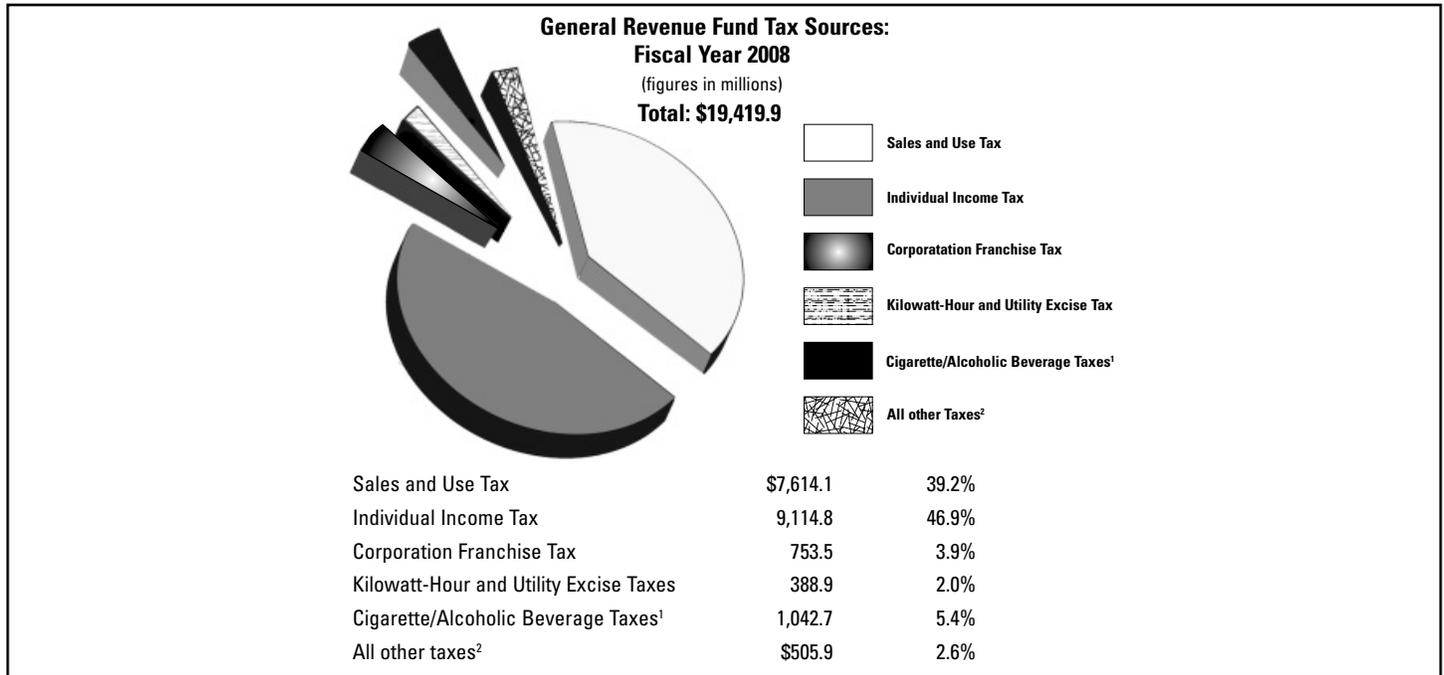
Table 2

General Revenue Fund Sources: Fiscal Year 2008 (figures in Thousands)		FY 2008 Collections
Major Taxes:		
Personal Income Tax		\$9,114,750
Sales and Use Tax		7,614,131
Corporation Franchise Tax		753,473
Public Utility Excise Tax		157,712
Kilowatt-Hour Excise Tax		231,218
Cigarette Tax		950,940
Alcoholic Beverage Taxes (including liquor gallonage)		91,784
Subtotal: Major Taxes		\$18,914,008
Other Taxes:		
Domestic Insurance Tax		\$154,592
Estate Tax		61,359
Foreign Insurance Tax		267,277
Dealers in Intangibles Tax		<u>22,251</u>
Subtotal: Other Taxes		\$505,479
Total: All Tax Revenue		\$19,419,487
Non-Tax Revenue:		
Earnings on Investment		\$168,553
Liquor Profits		174,268
Miscellaneous ¹		<u>1,256,292</u>
Total: Non-Tax Revenue		\$1,599,113
GRAND TOTAL		\$21,018,600

¹ Includes certain transfers into the general revenue fund, licenses and fees, and other income.

Source: Ohio Office of Budget and Management.

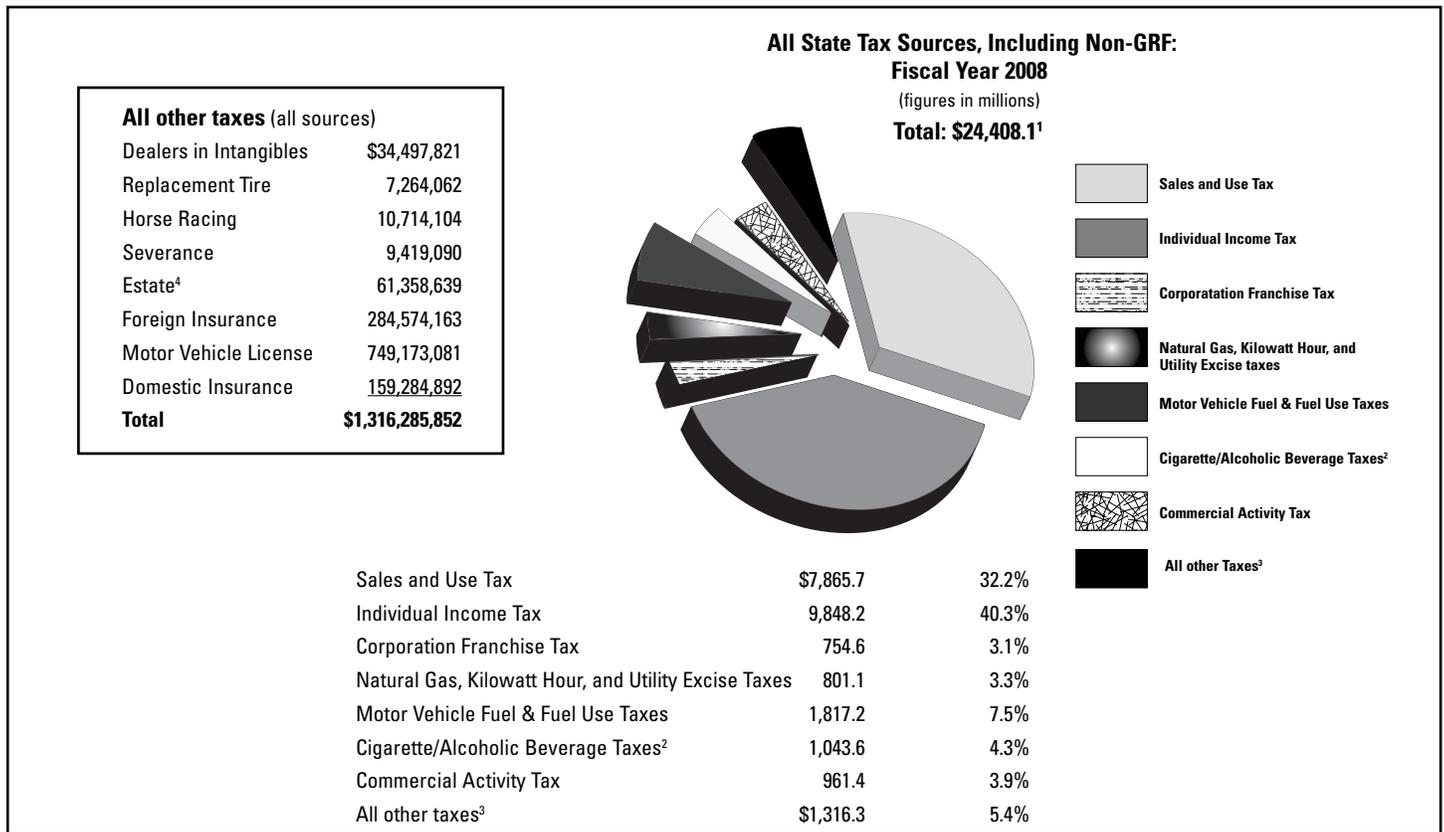
Chart 1



1 Includes tax on liquor of \$35 million which is administered by the Department of Commerce, Division of Liquor Control.

2 This figure is comprised of domestic insurance, foreign insurance, estate and dealers in intangibles taxes.

Chart 2



1 Includes revenue distributed to non-General Revenue Fund accounts.

2 Includes tax on liquor of \$35 million which is administered by the Department of Commerce, Division of Liquor Control.

3 This figure is comprised of the following state tax revenue sources shown in the small box, above left.

4 Reflects only the state's share of total estate tax revenues. Prior editions of this table reflected total (state and local) estate tax revenues.