The cover features a large, stylized sun in the background with rays extending across the top. Below the sun is a landscape illustration showing rolling hills, a winding road, and a field of crops. The word "Ohio" is prominently displayed in a large, blue, sans-serif font, with the letter "O" being significantly larger than the other letters. The text "Department of Taxation" and "2010 Annual Report" is positioned below the word "Ohio" in a smaller, black, sans-serif font. The entire design is set against a white background with blue and grey accents.

Ohio

Department of Taxation
2010 Annual Report



Department of Taxation

Office of the Tax Commissioner
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tax.ohio.gov

The Honorable John R. Kasich
Governor of Ohio
Members of the Ohio General Assembly

Dear Governor, Senators and Representatives,

It is my responsibility and privilege to provide you the 2010 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during fiscal year 2010 (July 1, 2009 through June 30, 2010) in compliance with Ohio Revised Code 5703.42. It provides a complete description of the base, rates, and provisions of each of the 23 taxes and the two local government funds administered by the department, detailed statistical data concerning each individual tax, and an accounting of department activities during the fiscal year.

My hope is that the contents of this report will be of value and interest to you, the General Assembly, and the people of Ohio.

Respectfully,

A handwritten signature in black ink, appearing to read 'Joseph W. Testa', with a large, sweeping flourish at the end.

Joseph W. Testa
Tax Commissioner

Ohio Department of Taxation 2010 Annual Report

Prepared by the
Tax Analysis Division and the
Communications Office of the Ohio
Department of Taxation

Joseph W. Testa
Ohio Tax Commissioner

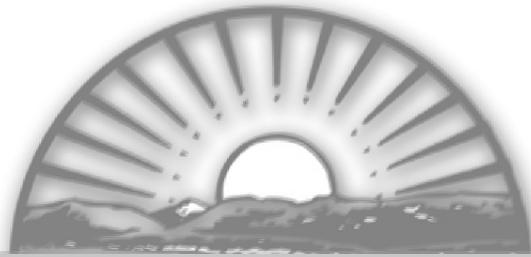


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Ohio

Part I: Year in Review



Year in Review

Ohio's economy in fiscal year (FY) 2010 continued to mirror the nation's in being wracked by the worst national recession in more than 50 years. Ohio's FY 2010 General Revenue Fund (GRF) tax receipts fell \$860.1 million (5.0%) below FY 2009 collections.

Despite the volatile recessionary environment, Ohio continued to make progress in its five-year effort to improve the state's business tax climate when the 109-year-old corporation franchise tax ended for the vast majority of Ohio corporations on Oct. 15, 2009 with the final filing deadline for 2009 corporation franchise tax returns.

This deadline applied to corporations with taxable year-ends of Dec. 31, 2008 that had received extensions from the Internal Revenue Service. Once corporations filed their 2009 franchise tax returns, the vast majority of them were done with the tax for good.

The phase-out of the corporation franchise tax was part of a package of reforms contained within House Bill 66, enacted by the Ohio General Assembly in 2005. Other components of those tax reforms included:

- The elimination of property taxes on business machinery, equipment and inventory.
- A new commercial activity tax (CAT), measured by gross receipts.
- Five annual 4.2 percent reductions in state income tax rates.

Overall, these and other tax changes contained within House Bill 66 represent a net annual tax cut of about \$1.8 billion annually starting in fiscal year 2010.

Reflecting the impact of these tax reductions and reforms, the Federation of Tax Administrators (FTA) in March 2010 released its analysis of census data that showed that the burden of state taxes was lower in Ohio than most other states. The FTA analysis specifically showed that Ohio's state tax burden during fiscal year 2009 was:

- 35th lowest on a per capita basis. In other words, only 15 other states collected less in taxes per person than Ohio did last year.
- 33rd lowest when measured as a percentage of Ohioans' personal income. By this measure, only 17 other states collected a lower percentage of taxes than Ohio.

When challenged, this package of tax reforms also received validation from the state's highest court in fiscal year 2010.

In September, 2009, the Ohio Supreme Court ruled 6-1 that the commercial activity tax was not a tax on the sale or purchase of food, reinforcing its application as a broad-based tax on all businesses in Ohio, measured by gross receipts. This decision was seen as an important victory for those working to improve Ohio's business tax climate and lower the tax burden in Ohio.

In another important tax case for Ohio, the U.S. Supreme Court ruled unanimously on June 1, 2010 that the principles of comity do not allow complaints regarding contentions of state taxation discrimination to be heard in federal courts. The case centered on the narrow issue of where state tax cases can be filed – specifically, whether or not they can be filed in federal court.

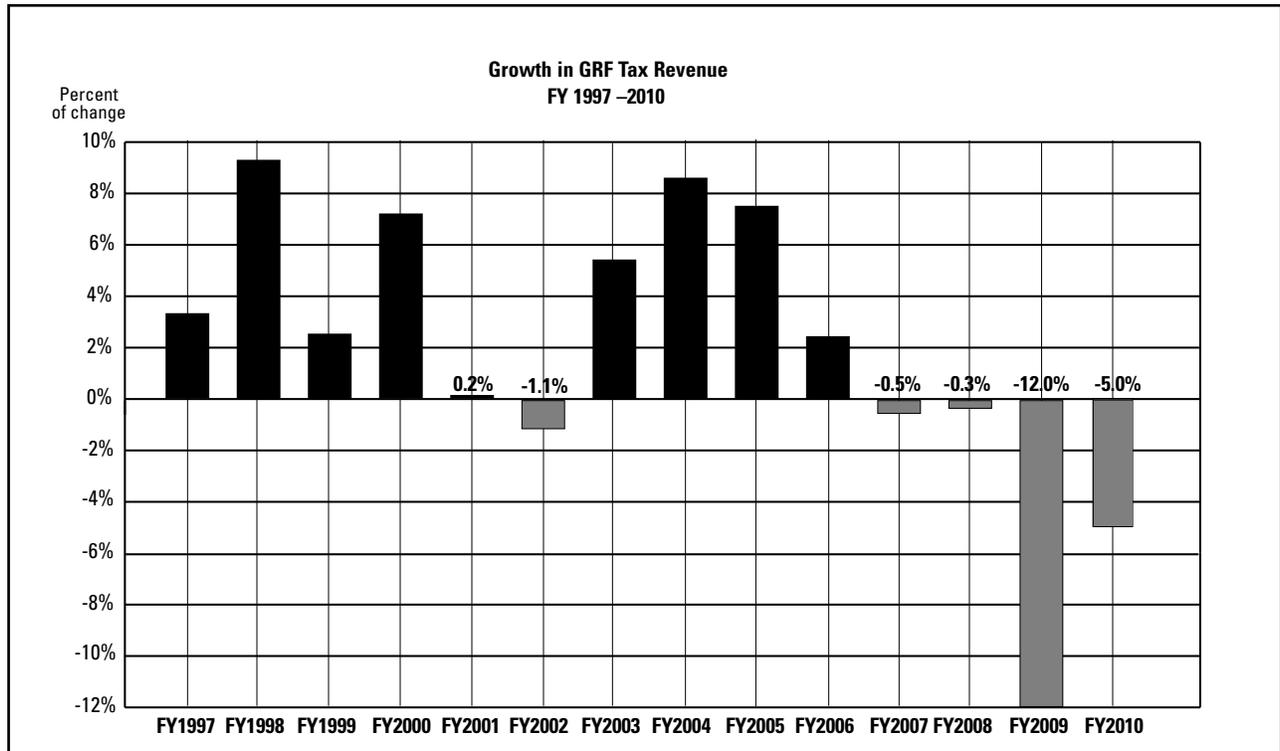
The plaintiff in the case, Commerce Energy, had sued the department in federal court, alleging that Ohio's natural gas tax system discriminates against independent marketers like itself in favor of state-regulated utility companies. The state's legal counsel, Ohio Attorney General Richard Cordray's office, asked the federal court to dismiss Commerce's suit on the grounds that such cases should only be filed in state courts.

In fiscal 2010, the department also continued working to improve customer service while trimming costs where possible and improving the speed with which it delivers income tax refund payments to taxpayers.

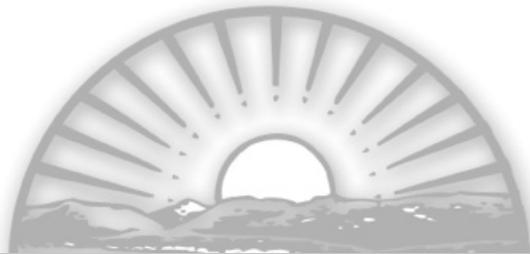
In 2007, the Department of Taxation finished processing requests for refunds from timely-filed returns on July 9. In 2009, the department finished this task on June 9, a full month earlier. In 2010, the task was finished by May 10.

The department also improved the speed with which it deposits checks received from taxpayers with a balance due for the year and who filed on time. In 2007, the department finished depositing checks from such returns on May 16. In 2010, this work was finished on April 27. This improvement is important because it results in tax revenue being put to work serving Ohioans more quickly.

The department also continued to increase the percentage of tax returns submitted through alternatives to pen and paper. During 2009, the department offered several paperless filing options for individual income taxpayers, including two Web-based systems (known as "I-File" and "eForms"), a telephone-based system ("TeleFile") and participation in the Internal Revenue Service's "eFile" system. All told, the department received about 72 percent of its returns through these systems in 2010 – another high water mark.



	Revenue	change
2005	\$19,088.0	+ 7.6%
2007	\$19,468.9	- 0.5%
2009	\$17,093.7	- 12.0%
2010	\$16,233.6	-5.0%



Responsibilities and Organization of the Department

The Tax Commissioner

Section 5703.05 of the Ohio Revised Code vests all powers, duties and functions of the Department of Taxation in the Tax Commissioner. The Tax Commissioner is appointed by the Governor, is subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor.

In general, the Tax Commissioner is responsible for the administration of most state-collected taxes and several locally-collected taxes as well as supervision of the real property tax. Broadly speaking, the principal powers and duties of the Tax Commissioner include:

- making all tax assessments, valuations, findings, determinations, computations and orders;
- reviewing, re-determining or correcting previous assessments, valuations or findings;
- promulgating rules and regulations and preparing and distributing tax return forms and other reporting tools;
- auditing returns, levying assessments and penalties, and granting or denying tax refunds; and
- issuing, revoking or suspending certain licenses and permits.

In addition, the Tax Commissioner has certain specific duties. These include:

- the actual collection of Ohio individual income, school district income, horse racing, sales, commercial activity and corporation franchise taxes as well as certain excise taxes;
- the operation of a central collection and reporting system for municipal income taxes on electric companies and telephone companies;
- the maintenance of a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of legislation introduced to change existing laws, and proposed measures providing for other forms of taxation; and
- revenue distribution to local governments, including shares of motor fuel tax revenue, property tax relief reimbursements, and distributions from the Local Government Fund, the Public Library Fund, and certain other funds.

To efficiently perform these functions, the Tax Commissioner is authorized by law to create divisions and sections of employees and organize the work of the department in a manner that, in the commissioner's judgment, will result in an efficient and economical administration of tax laws. The organization chart contained in this chapter indicates the current structure of the department as of June 30, 2010. The department had four deputy tax commissioners, one also serving as chief legal counsel and another also serving as the

department's chief ethics officer. Senior management also includes a chief information officer and a number of executive administrators who oversee various divisions within the department.

The department also has a problem resolution officer on staff, under the direction of the chief ethics officer, who provides additional assurance to taxpayers that their rights are being protected. To further serve Ohio residents and those in other states that have a business or residential nexus with Ohio, the department has located taxpayer service centers in eight major cities throughout Ohio in Columbus, Akron, Cleveland, Cincinnati, Dayton, Toledo, Youngstown, and Zanesville. The department also maintains regional audit centers near New York City, Chicago, and Los Angeles.

At the close of fiscal year 2010, the department had 1,368 permanent employees. During the fiscal year, the department spent about \$130.6 million to fulfill the department's various functions and responsibilities. Further details on department staffing levels and expenditures are shown in Tables 1 and 2, in this chapter.

Further details on the organization of the department are included in the pages that follow. For purposes of this report, the divisions are grouped into four main areas: customer services, compliance services, other tax administration services and support services.

Customer Services

The vast majority of Ohio taxpayers make an honest effort to meet their responsibilities under the law. When they need help, they usually turn to the Department of Taxation's customer service divisions.

Taxpayer Services Division

For many taxpayers, the Taxpayer Services Division is the first stop – a single point of contact for taxpayers with questions about individual income, school district income, sales and use, employer withholding, employer school district withholding, corporation franchise, pass-through entity and trust taxes.

This division serves as a multi-channel contact center that responds to taxpayer inquiries by letter, telephone, e-mail, fax machine and in person. This division strives for "first call resolution" to taxpayer inquiries, which range from general and technical taxability issues, tax return issues, filing requirements, business registrations, billings and assessments. The division also serves as the help desk for the Ohio Business Gateway, fields requests for forms, handles inquiries about refunds and answers questions from tax practitioners.

During fiscal year 2010, the Taxpayer Services Division handled 1,431,184 phone calls and 54,071 e-mail queries.

Agents also assisted 47,029 walk-in taxpayers with completing returns, making payments, or answering general tax questions.

The division also has a small central registration unit dedicated to answering business registration-related telephone calls and entering of business registrations into the system for employer withholding, school district withholding and some sales tax vendor licenses. Other responsibilities include maintaining the cumulative vendor accounts, updating of demographic information, maintaining liquor license renewal and safekeeping information.

Taxpayer Service Centers

The Department of Taxation maintains taxpayer service centers in Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, Youngstown and Zanesville.

The service centers provide support for the various compliance and service programs as directed by the Taxpayer Services Division. All service center locations except Columbus are scheduled to close by July 1, 2011.

Problem Resolution Officer

The problem resolution officer is a special resource for taxpayers. This individual serves as a liaison between the Ohio Department of Taxation and taxpayers when the normal lines of communication break down. Revised Code section 5703.52 states that the officer or additional persons designated for the office is to "receive and review inquiries and complaints concerning matters that have been pending before the department for an unreasonable length of time or matters to which a taxpayer has been unable to obtain a satisfactory response after several attempts to communicate with the employee of the department assigned to the taxpayer's case or the employee's immediate supervisor."

The problem resolution officer works with the appropriate employees and the taxpayer to determine the precise circumstances of his or her issue and to arrive at the appropriate resolution. Education and explanation regarding the applicable laws and rules is a key part of this process. Most tax situations can be reviewed by the problem resolution officer, except for appeals of final determinations of the Tax Commissioner or cases certified to the Ohio Attorney General for collection. The officer is available to assist taxpayers by mail, telephone or through e-mail received through the department's Web site.

Compliance Services

While most people voluntarily comply with Ohio's tax laws, there are exceptions. For these exceptions – and to fairly ensure that compliance is applied equally to all taxpayers – the department bills for unpaid taxes and operates a system of appeals that can either reduce liability or lead to collection for unpaid tax debts.

Compliance Division

The Compliance Division handles billing, assessment and certification for collection as part of the major compliance programs run by the Department of Taxation.

Examples of compliance programs run by this division include the mailing of delinquency notices when taxpayers

fail to submit a return and the mailing of billing notices to taxpayers who fail to pay an amount that appears to be due. The Compliance Division runs these and other compliance programs for a range of taxes, including individual income, school district income, employer withholding, school district employer withholding, corporation franchise, sales and use, and pass-through entity taxes.

The division generates bills for actual or potential tax liabilities arising from an audit or from an apparent taxpayer mistake. Such mistakes include the failure to file a return, compute taxes correctly, pay the amount owed, report federal adjusted gross income consistently, or report all income.

When taxpayers do not respond to a billing notice, the Compliance Division then issues an assessment. Assessments are the Tax Commissioner's final notice to a taxpayer of a tax deficiency or delinquency. An assessment informs a taxpayer of his or her legal rights if the assessment remains outstanding, and that the debt will be certified to the Ohio Attorney General's office for collection if an appeal is not filed in a timely fashion.

The Compliance Division also certifies debts for collection by the Ohio Attorney General and serves as the department's liaison to the Ohio Attorney General's office on issues concerning collection of deficient or delinquent taxes.

In fiscal year 2010, the Compliance Division certified 21,920 corporation franchise assessments to the Ohio Attorney General's Office for a total certified amount of \$123,240,343.25. That same fiscal year, the Compliance Division certified 151,831 personal income tax and 75,955 school district income tax assessments to the Ohio Attorney General's Office for total certified amounts of \$376,853,774.56 and \$29,512,819.49, respectively.

The Compliance Division is also responsible for responding to all taxpayer billing, assessment and certification correspondence and reviewing appeals of assessments that did not begin with an audit. This enables taxpayers to resolve certain issues in an informal manner that supports the department's focus on timely, quality customer service.

Office of Chief Counsel

The Office of Chief Counsel is responsible for the tax legal affairs of the Department of Taxation. It is divided into four areas, described below:

Tax Appeals Division – The Tax Appeals Division conducts most of the administrative appeal hearings within the department and issues the Tax Commissioner's final determination in these tax matters, which serves as the department's final assessment of the taxpayer. The Tax Appeals Division had 17 hearing officers and supervisors and two support staff as of June 30, 2010, a decrease of one hearing officer and one support person from fiscal year 2009.

Tax Appeals tracks final determinations by calendar year. In calendar year 2010, the division had an opening balance of 15,603 cases and received an additional 8,438 more during the year. A total of 10,343 final determinations were finalized, for an end-of-year balance of 13,698 cases on hand. The outstanding inventory of cases has improved from calendar year 2009, when Tax Appeals started the year with 9,077 cases, received 12,958 more during the year, finalized 6,432 final determinations, and ended with a balance of 15,603 cases.

Appeals Management Division –The Appeals Management Division serves as a liaison with the Attorney General’s office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General’s office. The Appeals Management Division had 11 employees as of June 30, 2010.

Case information is tracked on a calendar year basis. As of Dec. 31, 2010, Appeals Management had 855 cases on appeal at the Board of Tax Appeals; nine in the state appeals court system; 22 at the Ohio Supreme Court and one at the United States Supreme Court. This was an increase in cases from 2009, when the division had 513 cases on appeal at the Board of Tax Appeals; six in the state appeals court system; 23 at the Ohio Supreme Court; and one at the United States Supreme Court.

Bankruptcy Division –The Bankruptcy Division is charged with claiming delinquent taxes from both individual and corporate taxpayers who have filed for bankruptcy. The division receives notices of filings each month from bankruptcy courts both in and outside of Ohio that must be researched for outstanding tax debts. When taxes are owed, the division must file a proof of claim in the appropriate bankruptcy court prior to the bar date, or the date when the court can discharge debts. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. The Bankruptcy Division had 10 employees as of June 30, 2009.

In calendar year 2010, the division received 12,897 notices of bankruptcies filed. It processed a total of 4,252 proofs of claim, which amounted to \$112,792,584 in taxes due by the bankrupt entities. By comparison, during calendar year 2009, 13,288 notices of bankruptcy were received and 4,118 proofs of claim were processed, amounting to \$484,262,385. The large dollar amount due in 2009 is primarily because of the two large auto industry bankruptcy cases.

Legal counsels –The Office of Chief Counsel also has legal counsels assigned to other department divisions, where they are responsible for drafting and reviewing legislation, rules, and information releases. The counsels also draft formal and informal tax opinions. These legal counsels drafted one formal tax commissioner opinion in calendar year 2010 and five in calendar year 2009.

Audit Division

The Audit Division conducts audits relating to most of Ohio’s major business taxes, which includes sales and use tax, commercial activity tax, corporation franchise tax, pass-through entity tax, employer withholding tax, and tangible personal property tax.

During the fiscal year ending June 30, 2010, the Audit Division completed the following number of audits for each of these tax types:

Tax Type	Total Audits
Personal Property	390
Pass-Through Entity	337
Commercial Activity	78

Enforcement Division

The Department of Taxation’s Enforcement Division is comprised of 30 sworn police officers who enforce the criminal provisions of Ohio tax laws. The Enforcement Division came into existence in 1971, when it was organized primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown in size and responsibility. The Enforcement Division now enforces most of the taxes administered by the department, including the cigarette tax, other tobacco products tax, motor fuel tax, income tax, employer withholding taxes and the sales and use tax.

In 2002, 2005 and again in 2008, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies Inc. In 2008, the division attained flagship status and was highlighted as among the top third of accredited agencies in the United States. The Enforcement Division is the only revenue-type division in the world to achieve this distinction. The accreditation means the division has met stringent guidelines related to policies and procedures governing the operation of a law enforcement agency.

While the Enforcement Division is a support branch of the Department of Taxation, it is also a revenue generator for state government. During fiscal year 2010, Enforcement’s efforts brought in \$5.5 million. For fiscal years 2004 through 2010, Enforcement actions have resulted in over \$30.5 million in revenue.

Tax Discovery Division

Most of the department’s compliance efforts concern the amount of tax that should be paid by individuals and entities that are already well known to the department. In contrast, tax discovery can be thought of as the effort to identify legally-owed tax belonging to individuals and entities that may not be known to the department, at least in the context of a particular tax.

The Tax Discovery Division is charged with creating new tax programs, based on existing tax laws, in order to generate revenue for the state of Ohio. It runs programs within the unit, measures the success of the program, and then either refers the program to the affected operating division or keeps and maintains the program within the Discovery division. In addition, Discovery, which was formed in 2005, can be charged with administering special programs as requested by the Tax Commissioner’s office.

For the 2010 fiscal year, Tax Discovery identified over \$140 million in additional tax liability for collection, primarily in the

individual income, pass-through entity, trust, employer withholding, and sales and use tax areas.

Tax Administration Services

Other divisions are less visible to taxpayers, but still vital to the administration of state taxes in Ohio.

A number of these divisions oversee one or several specific taxes. This oversight includes developing rules and procedures for one or more taxes, prescribing forms, processing returns that have been suspended for one or more reasons, and interpreting law and policy to resolve taxpayer issues.

These divisions are:

- Business Tax, which is responsible for the corporation franchise tax, the pass-through entity and trust withholding tax, and the municipal income tax for electric light companies and telephone companies.
- Commercial Activity Tax.
- Estate Tax.
- Excise, Motor Fuel and Public Utilities Tax, which is the product of a merger of the Excise & Motor Fuel and Personal Property Tax divisions effective Oct. 14, 2008. This division oversees the taxes on alcoholic beverages, cigarettes and other tobacco products, horse racing, kilowatt-hour, motor fuel, natural gas distribution and severance. Because of the specialized nature of these taxes, the division processes returns, handles taxpayer calls, issues variances and assessments, and conducts audits on its own. This division also oversees the public utility property and public utility excise taxes as well as lingering responsibilities associated with the personal property tax.
- Individual Income and School District Income Tax.
- Sales and Use, which monitors sales and use tax compliance by out-of-state businesses and handles tax matters pertaining to liquor permits.
- Tax Equalization, which is responsible for overseeing the appraisal of real property for tax purposes by Ohio's county auditors.

The efforts of these divisions are chronicled, to some extent, in the "Taxes Administered" section of this book.

Other divisions are responsible for one or more aspects of taxation that apply to many of Ohio's specific taxes. They are described below.

Operations and Support Center

The Operations and Support Center is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation.

The primary function of the Operations Center is to facilitate voluntary compliance. This is accomplished through:

- receiving and recording tax returns, documents and remittances;
- issuing refunds;
- storing and retrieving tax documents; and
- depositing taxpayer payments with banks so that funds are available for distribution to state and local governments.

As part of this mission, the Operations and Support Center has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2010 calendar year, these methods included:

- TeleFile, the ability to submit a return by touchtone telephone. This was the department's first electronic filing method, and was first offered for the 1997 taxable year.
- the Internal Revenue Service's e-file program, which became available through tax practitioners and software packages starting in 1999.
- Ohio I-File, a Web-based solution introduced in 2003 for the 2002 filing year. I-File asks taxpayers a series of questions, then compiles a state or school district income tax return based on those answers.
- Ohio eForms, which are Adobe Acrobat forms that resemble traditional tax forms but can be filled out online and submitted electronically. The first eForms were rolled out in 2008 for the 2007 taxable year.

For the 2009 taxable year, all of these methods combined to account for more than 4.3 million, or 72 percent, of all individual and school district income tax returns filed with the department.

Electronic filing not only allows taxpayers to get their refund faster through direct deposit, but it also substantially reduces both the taxpayer and processing errors generally found on paper-filed returns. The ease and efficiency associated with electronically filed returns – versus the labor-intensive manual process associated with returns filed on paper – is believed to save the citizens of Ohio millions of dollars in processing costs annually.

The Operations and Support Center also processed nearly 2.7 million business tax returns that were filed on paper in calendar year 2010, listed by type of return in the chart below:

Tax Type	Volume
CAT	129,787
Employer Withholding/EWSD	2,043,418
Sales	312,308

Additionally, the Operations and Support Center receives business tax returns that are filed through the Ohio Business Gateway (OBG), which provides businesses a single portal for filing certain business taxes. In calendar year 2010, ODT received approximately 1.8 million returns filed through the OBG (see chart below).

Electronic Returns Processed that were Filed Through the Ohio Business Gateway

CAT	265,175
Employer Withholding SD	140,871

From businesses, ODT also received 287,961 sales tax returns that were filed electronically through eForms and another 138,765 sales tax returns that were filed through TeleFile in calendar year 2010.

Forms Printing Division

The Forms Printing Division produces hundreds of forms utilized by tax practitioners and taxpayers to meet their obligations for most taxes administered by the Department of Taxation.

The Forms Printing Division is responsible for composing forms, preparing bid specifications for printing projects, ordering forms for various divisions, distributing forms and maintaining an inventory. The division acts as a forms liaison with third-party vendors and payroll processing companies.

In recent years, the division has revised forms to be scanned and imaged by a full-page scanner for more efficient data capture. The division is also responsible for making sure the most up-to-date forms are available on the department's Web site. The forms section is the most visited section of the department's Web site.

Revenue Accounting

The Revenue Accounting Division ensures that tax dollars are properly deposited and distributed in accordance with the law.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In fiscal year 2010, Revenue Accounting distributed more than \$4.8 billion, including:

- revenue into the Local Government Fund and the Public Library Fund;
- revenue from locally-enacted taxes, including county sales and use taxes, school district income taxes, resort area taxes, municipal income tax receipts from electric light companies and telephone companies, and Cuyahoga County beer, wine, cigarette and liquor taxes;
- revenue shared from specific state taxes including the motor fuel tax, dealers in intangibles tax and the horse racing tax;
- property tax relief efforts, including the 10 percent rollback, the 2.5 percent rollback and the homestead property tax exemption;
- property tax replacement fund distributions, including those associated with the kilowatt-hour tax, the natural gas distribution tax and the commercial activity tax;
- revenue from income tax check-off programs, including the political party check-off and the scenic rivers, wild-life and Military Injury Relief Fund donation check-offs; and
- revenue from the manufactured home tax and the tangible personal property tax.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the department for the individual income tax, employer withholding tax, sales and use tax, corporation franchise tax, school district income tax, motor fuel and use tax, the International Fuel Tax Agreement, the commercial activity tax and the municipal income tax for electric light companies and telephone companies.

The division also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), payments made through the Ohio Business Gateway (OBG), and Treasurer of State debits and credits. Revenue Accounting reconciles EFT payments, OBG payments, and credit card payments.

Revenue Accounting has the additional responsibility of assisting the Office of Budget and Management with the state Comprehensive Annual Financial Report.

Tax Analysis Division

The Tax Analysis Division serves as the research arm of the Ohio Department of Taxation, providing packaged data, quantitative analysis, revenue forecasts, and policy analysis to internal and external customers. The customers for Tax Analysis products include the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

Each session of the Ohio General Assembly, the division provides revenue estimates for scores of bills that have proposed tax law changes and many proposals that never reach bill form. This activity is augmented by analyses of federal legislation that may impact Ohio state or local government finances.

Tax Analysis also assists the Office of Budget and Management (OBM) in forecasting tax revenues, tracking revenue on a monthly basis and assisting OBM with any updates of its forecasts. Tax Analysis also provides estimates of the Governor's tax proposals in the executive budget and the Tax Expenditure Report, traditionally "Book Two" of the executive budget.

Tax Analysis produces the tax data series that appears on the department's Web site – a data series that puts Ohio in the forefront when it comes to scope and quality. The division produces similar data for other publications, including *Property Taxation and School Funding*, an educational aid for decision makers. The division also assembles the statistics, tables, graphs, and interstate comparison data for departmental publications such as *Ohio's Taxes: A Brief Summary of Major State and Local Taxes in Ohio* and this annual report.

The division provides a number of services to local governments, including dozens of estimates of school district income tax revenues each year and, in conjunction with the Revenue Accounting Division, estimates of the distributions to the three local government funds. The division also provides informal consulting to school districts and other local governments on property tax questions and permissive sales tax questions. Tax Analysis staffers frequently make presentations to county auditors, school officials, and other local governments, discussing such topics as property tax law, school district income taxes, state revenue sharing, tax reform, and the impact of utility property tax law changes.

Support Services

Other divisions of the Department of Taxation are in more of a support role. Many of these divisions have analogues in other state agencies and in the private sector.

Budget and Fiscal Division

The Budget and Fiscal Division performs internal financial, accounting, and facilities management functions that help the department run its day-to-day operations. The two Budget and Fiscal sections are:

Budget and Accounts Payable – This section prepares and monitors the department’s operating budget with primary responsibilities that include centralized purchasing, processing payment of invoices and travel expense reimbursement. This section also administers the department’s payment cards, petty cash funds and contracts.

Facilities Management – This section is responsible for managing, equipping, and maintaining the department’s office facilities, including safety and security. This section also administers the mail operations, inventory of all fixed assets, central supply services and the vehicle fleet program.

Communications Office

The Communications Office supports the department’s mission of helping taxpayers understand their responsibilities through the timely delivery of information to external and internal audiences. The office is the first point of contact for media with questions about the department or requests for interviews. The office also:

- issues news releases and coordinates other events with state and local media to highlight significant events and policy changes at the department.
- manages the department’s Web site, tax.Ohio.gov, with support from Information Services and liaisons throughout the agency.
- oversees several periodic publications, including this annual report, the quarterly *Ohio State Tax Report* and certain brochures.
- manages content on the department’s internal Web site and develops other informational resources for department employees, including a monthly employee newsletter.

Employee Development & Training/Quality Programs Division

The Employee Development and Training/Quality Programs Division provides practical and applied professional skills and career development opportunities for all Ohio Department of Taxation employees. The division works with the department’s tax and administrative divisions to assess their ongoing organizational and staff development needs, then presents or assists with the development and delivery of appropriate and timely training for all department employees.

This division also coordinates:

- department-wide health and wellness initiatives.
- corporate citizenship and employee recognition programs.
- department activities as part of the three major annual statewide charitable campaigns: Operation Feed, the Combined Charitable Campaign, and the Holiday Food Basket drive.
- department involvement in the statewide Public Practice Continuing Legal Education Coalition, including presenting a minimum of two department Public Practice CLE seminars per year.

Human Resources Division

The mission of the Human Resources Division is to develop and maintain the effective workforce needed to complete the department’s mission.

Human Resources places a primary concern on helping leaders within the department build competent, effective, and efficient work teams and units. This goal is accomplished by Human Resources’ development of plans, policies, implementation strategies, and evaluative and strategic reviews.

The division also creates, implements and assesses a wide range of human resource actions in the areas of recruitment, employment, compensation, labor and employee relations, performance management, employee development, and executive resources.

Information Services Division

The Information Services Division supports the department’s business program areas through the development and support of computer information systems. This division provides a secure, flexible and appropriately-scaled architecture for the exchange of information with internal and external customers.

During fiscal year 2010, Information Services worked in partnership with many areas of the business to automate check deposits to reduce deposit delays, further enhance our tax discovery initiative, implement a new automated call center system to improve taxpayer service, and increase electronic filing and other taxpayer self-service applications. Additionally, a major upgrade to the network environment in our data center was implemented to increase the capacity, availability and reliability of our network.

Information Services continues to support the State Taxation Accounting and Revenue System (STARS) project through experience in analysis, design and technical support for STARS infrastructure including hardware, software, networking, data migration and interfaces. The division also fulfills equipment needs, data requests for data conversion testing, computer service requests and system security requests for the project. When fully operational, STARS will significantly improve tax administration for all taxes by consolidating several existing tax systems on a single platform.

Internal Audit Division

The mission of the department’s Internal Audit Division is to independently examine and evaluate the ongoing control processes of the department and to provide counsel and recommendations for improvements whenever needed. The division also investigates areas with a high potential for risk and offers suggestions and recommendations to minimize the department’s exposure.

The Internal Audit Division reports directly to a Deputy Tax Commissioner but has open access to discuss matters directly with the Tax Commissioner. The Internal Audit Division is free of all operational and management responsibilities that might impair an ability to make independent reviews of all aspects of the department’s operations. Additionally, the division has been authorized to have free and unrestricted access to all department records, functions, property, and personnel in order to investigate and/or maintain sound internal controls. The division serves as the contact and liaison for representatives from the Auditor of State’s office.

Legislation Division

The Legislation Division is the legislative coordinating unit for the Department of Taxation. It monitors all tax-related legislation as it progresses through the General Assembly. The

division serves as the primary resource to members of the General Assembly, providing three main services:

- analyzing and reviewing proposed legislation;
- assisting with constituent inquiries or problems; and
- providing briefings or background information concerning tax issues.

The division's staff attends legislative committee hearings and prepares and presents testimony on tax policy issues. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Ohio Department of Taxation's Partners

The Ohio Department of Taxation accomplishes many of its goals through collaborative partnerships with other governmental agencies.

The **Internal Revenue Service** provides data from federal returns which is used to check the accuracy of Ohio income tax returns. For example, the adjusted gross income reported by taxpayers on their federal returns is routinely compared with the adjusted gross income as reported on the Ohio returns. Discrepancies are researched by the department and taxpayers are contacted, if necessary, to verify their correct income.

Two sections of the Office of the **Ohio Attorney General** play key roles in the administration of Ohio taxes. The Taxation Section of the Attorney General litigates cases for the Tax Commissioner at the Ohio Board of Tax Appeals and the Ohio Supreme Court, as well as at other state and federal courts. The Collections Enforcement Section of the Attorney General performs collection activities on delinquent tax accounts.

The state **Office of Budget and Management (OBM)** receives all revenue collected by the department. Income tax

and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by OBM based on data provided by the Department of Taxation.

The **Ohio Department of Development** certifies to the Department of Taxation certain credits available to Ohio taxpayers, such as the job creation tax credit, the job retention tax credit, the research and development investment tax credit, the technology investment tax credit, and the Ohio historic preservation tax credit.

The Department of Taxation also withholds income tax refunds from parents who are delinquent in their child support. Those amounts are forwarded to the **Ohio Department of Job and Family Services** which, in turn, disburses the money to the county child support enforcement agencies.

The Department of Taxation and the **Ohio Department of Commerce** share information on businesses with liquor permits according to procedures spelled out in the Ohio Revised Code. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

Administrative Tables

The tables that follow illustrate various aspects of the Department of Taxation's structure and mission, including its organization, expenditures and staffing. The tables also document the growth of electronic filing and the number of assessments recorded through the department's compliance programs. A final table provides totals of cash collected through these compliance programs in the most current fiscal year.



Ohio's Tax Commissioners, 1939 to present

Tax Commissioner	Began service	Ended service	Appointed by
William S. Evatt	June 3, 1939	Dec. 31, 1944	John W. Bricker
C. Emory Glander	Jan. 1, 1945	Jan. 31, 1951	Frank J. Lausche
John W. Peck	Feb. 1, 1951	Jan. 31, 1954	Frank J. Lausche
Stanley J. Bowers	Feb. 1, 1954	April 14, 1963	Frank J. Lausche
Louis J. Schneider	April 15, 1963	Dec. 29, 1964	James A. Rhodes
Gerald A. Donahue	Jan. 4, 1965	March 12, 1966	James A. Rhodes
Gail W. Porterfield	March 13, 1966	Jan. 10, 1971	James A. Rhodes
Robert J. Kosydar	Jan. 11, 1971	Jan. 12, 1975	John J. Gilligan
Gerald S. Collins	Jan. 13, 1975	Sept. 10, 1975	James A. Rhodes
Edgar L. Lindley	Sept. 11, 1975	Jan. 9, 1983	James A. Rhodes
Joanne Limbach	Jan. 10, 1983	Jan. 13, 1991	Richard F. Celeste
Roger W. Tracy	Jan. 14, 1991	Jan. 11, 1999	George V. Voinovich
James J. Lawrence	Jan. 11, 1999	June 30, 1999	Bob Taft
Thomas M. Zaino	July 1, 1999	Oct. 31, 2003	Bob Taft
J. Patrick McAndrew	Nov. 1, 2003	Jan. 11, 2004	Bob Taft
William W. Wilkins	Jan. 12, 2004	Jan. 7, 2007	Bob Taft
Richard A. Levin	Jan. 8, 2007	Jan. 9, 2011	Ted Strickland
Joseph W. Testa	Jan. 10, 2011		John R. Kasich

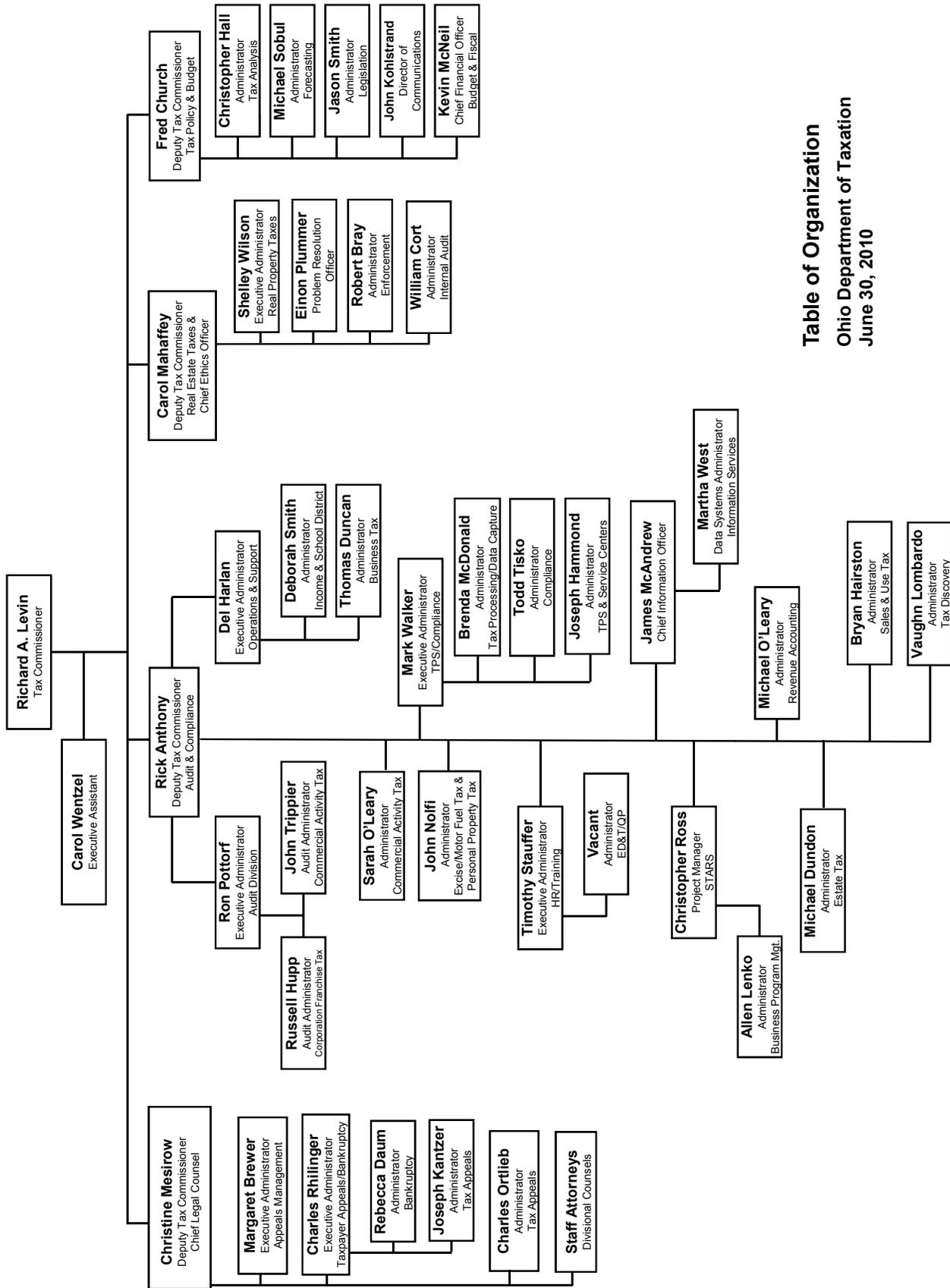


Table of Organization
Ohio Department of Taxation
June 30, 2010

Table 1

Ohio Department of Taxation Staff Structure & Number of Employees: Fiscal Year 2010			
Unit of Organization	Number of Employees June 30, 2010	Unit of Organization	Number of Employees June 30, 2010
Administrative Divisions		Estate Tax	10
Tax Commissioner	11		
Human Resources	15	Excise & Motor Fuel Tax	45
Tax Analysis	8		
Employee Dev. & Training	8	Facilities Management	22
Legislation	4		
Communications	5	Forms & Printing	6
HR/TCA Training	3		
Business Program Management	12	Information Services	132
Divisions Total	66	Internal Audit	2
Audit		Tax Processing & Data Capture	113
Administration/Support	20		
South Central Region	66	Personal Income & School District Tax	70
Northwest Region	110		
Northeast Region	87	Sales & Use Tax	45
New York	8		
Chicago	10	Tax Discovery	27
Los Angeles	16		
		Tax Equalization	24
Division Total	317		
Budget & Fiscal		Taxpayer Service Centers	
	26	Akron	14
Business Tax		Cincinnati	11
	71	Cleveland	17
Chief Counsel		Dayton	16
	47	Toledo	13
Commercial Activity Tax		Youngstown	14
	41	Zanesville	12
Compliance			
	80	Divisions Total	97
Enforcement		Taxpayer Services	98
	29		
		Total Permanent Employees	1,368

Chart 1

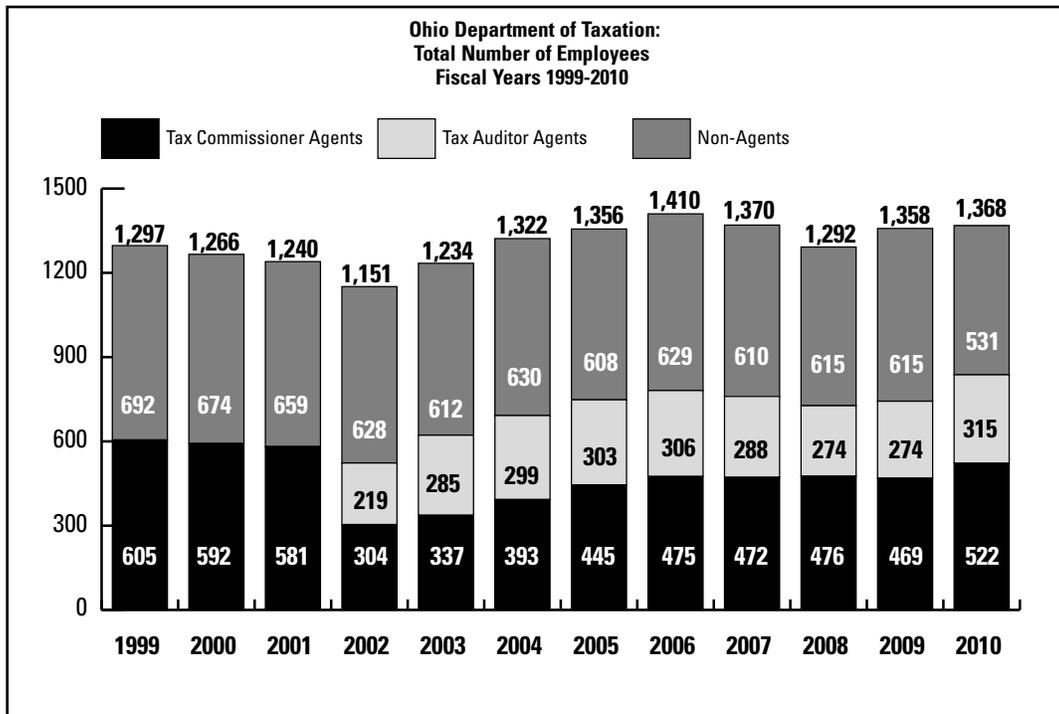


Table 2

Division	Personal Service	Maintenance & Equipment	Total
Administration	\$10,638,661.06	\$2,238,802.67	\$12,420,131.22
Audit	22,917,059.76	4,822,672.17	26,754,578.21
Business Tax	5,054,967.54	1,063,768.72	5,901,434.38
Chief Counsel	4,973,981.83	1,046,726.06	5,806,887.41
Commercial Activity Tax	2,173,124.49	457,312.90	2,537,019.57
Compliance	5,017,027.88	1,055,784.69	5,857,141.64
Discovery	6,560,225.90	1,380,535.69	7,658,751.99
Enforcement	2,426,034.90	510,535.43	2,832,280.45
Estate Tax	860,357.30	181,053.82	1,004,426.26
Excise, Motor Fuel & Public Utility	3,452,163.58	726,474.22	4,030,236.92
Information Services	17,368,121.40	3,654,952.10	20,276,456.37
Personal Income & School District Tax	4,431,337.48	932,531.84	5,173,375.92
Sales & Use Tax	3,190,961.83	671,506.86	3,725,296.30
Tax Equalization	1,913,283.51	402,631.89	2,233,667.57
Tax Processing & Data Capture	8,289,990.81	1,744,547.88	9,678,170.32
Taxpayer Services	12,640,511.39	2,660,072.59	14,757,196.35
Totals	\$111,907,810.66	\$23,549,909.53	\$130,647,050.88

Table 3

Ohio Individual Income & School District Income Tax Return Filing: Tax Years 2000 - 2009										
State Returns	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Form IT 1040 (Paper)	2,645,743	2,585,136	2,430,889	2,259,825	2,118,800	1,742,348	1,523,984	1,602,623	1,397,111	1,062,006
Form IT 1040 EZ (Paper)	1,203,655	814,473	663,406	593,326	491,338	678,362	683,055	520,271	462,551	393,760
Total Paper	3,849,398	3,399,609	3,094,295	2,853,151	2,610,138	2,420,710	2,207,039	2,122,894	1,859,662	1,455,766
IRS e-file program	1,141,239	1,396,931	1,616,387	1,837,659	2,069,667	2,348,393	2,575,570	2,838,958	2,953,002	3,224,756
Telefile	468,930	621,810	534,787	435,883	375,944	292,217	227,173	142,087	98,220	67,499
I-File	-0-	-0-	118,444	213,815	303,896	346,302	405,071	413,833	494,013	489,254
eForm IT 1040								20,601	21,350	16,630
eForm IT 1040 EZ								24,078	20,787	14,183
Total Electronic	1,610,169	2,018,741	2,269,618	2,487,357	2,749,507	2,986,912	3,207,814	3,439,557	3,587,372	3,812,322
Total State Returns	5,459,567	5,418,350	5,363,913	5,340,508	5,359,645	5,407,622	5,414,853	5,562,451	5,447,034	5,268,088
Percentage filed on paper	70.5%	62.7%	57.7%	53.4%	48.7%	44.8%	40.8%	38.2%	34%	27.6%
Percentage filed electronically	29.5%	37.3%	42.3%	46.6%	51.3%	55.2%	59.2%	61.8%	66%	72.4%
School District Returns										
Form SD 100 (paper)	418,509	387,114	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687
Total Paper	418,509	387,114	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687
IRS e-File program	85,619	116,203	127,252	151,649	183,777	224,825	266,247	318,190	366,276	443,999
I-File					27,479	41,142	56,171	66,077	77,187	82,120
eForm SD100								5,023	4,937	4,323
Total Electronic					211,256	265,967	322,418	389,290	448,400	530,442
Total School Returns	504,128	503,317	488,678	502,863	547,760	587,684	629,639	713,343	742,000	744,129
Percentage filed on paper	83.0%	76.9%	64.0%	69.8%	61.4%	54.7%	48.8%	45.4%	39.5%	28.7%
Percentage filed electronically	17.0%	23.1%	26.0%	30.2%	38.6%	45.3%	51.2%	54.6%	60.5%	71.3%
All Returns										
Grand Total	5,963,695	5,921,667	5,852,591	5,843,371	5,907,405	5,995,306	6,044,492	6,275,794	6,189,034	6,012,217
Grand Total Paper	4,267,907	3,786,723	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260	2,446,947	2,153,262	1,669,453
Grand Total Electronic	1,695,788	2,134,944	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232	3,828,847	4,035,772	4,342,764
Percentage filed on paper	72%	64%	59%	55%	49.9%	45.7%	41.6%	39%	35%	27.8%
Percentage filed electronically	28%	36%	41%	45%	50.1%	54.3%	58.4%	61%	65%	72.2%

Chart 2

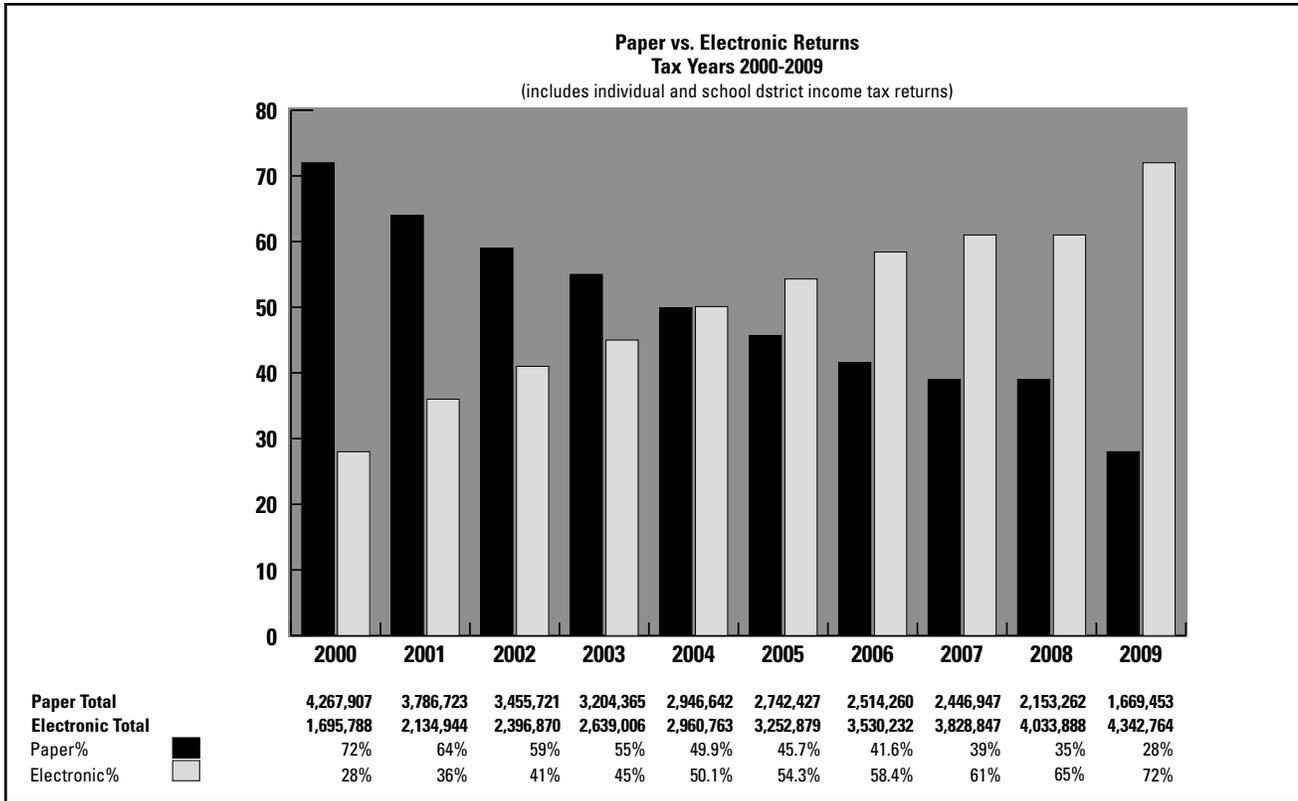


Table 4

Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection: Fiscal Years 2009- 2010						
This table shows tax assessments levied against taxpayers for the fiscal years indicated, but not assessments collected. The number of assessments certified for collection in a fiscal year include assessments levied in a prior year, after taxpayers have exhausted all avenues of appeal.						
Tax Category	Assessments Levied				Unpaid Assessments Certified for Collection	
	FY 2009		FY 2010		FY 2009	FY 2010
	Amount	Number	Amount	Number		
Sales & Use	\$719,652,286	195,751	\$677,551,191	189,765	\$408,517,530	\$503,701,604
Motor Vehicle Fuel	8,979,470	102	23,280,546	66	10,202,127	8,504,291
Cigarette	3,674,011	6	883,956	5	108,713	2,865,591
Other Tobacco Products	5,648,546	261	4,500,566	227	2,046,111	1,909,173
Alcoholic Beverage ¹	279,609	58	169,274	40	68,730	2,872
Severance	295,299	70	327,172	117	143,966	143,155
Horse Racing	129,950	4			-	
Replacement Tire Fee	140,212	10	71	1	209,983	
IFTA ²	258,542	144	438,558	130	239,065	319,333
Kilowatt-Hour	21,116	1	64,891	3	-	
Master Settlement Agreement ³	408,610	99	68,250	89	81,250	178,064
Total	\$739,487,651	196,506	\$707,284,475	190,443	\$421,617,475	\$517,624,083

Table 5

Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2009 - 2010				
Tax	Fiscal Year 2009		Fiscal Year 2010	
	Amount	Number	Amount	Number
Corporation Franchise	\$221,649,951	21,672	\$121,356,126	24,244
Individual Income	431,808,418	189,076	503,186,226	158,659
Total	\$653,458,369	210,748	\$624,542,353	182,903

1 Beer, wine, and mixed beverages.

2 International Fuel Tax Agreement.

3 Assessments levied for noncompliance with tax provisions of the agreement between Ohio and tobacco manufacturers.

Table 6

Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2010								
(figures in millions)								
Tax	Delinquent Programs	Automated Billing Programs	Assessment Collections	Audits Collections	Desk Exams	Discovery	Total	% of Total
Sales and Use	\$36.5	\$26.8	\$110.3	\$42.4	\$10.7		\$226.7	37.1%
Corporate Franchise	2.9	6.8	38.1	17.9	10.9		76.6	12.5%
Personal Income	5.1	49.9	101.7		14.6	\$17.2	188.5	30.9%
Employer Withholding	0.1	5.1	6.8	0.3	1.1	0.7	14.1	2.3%
Commercial Activity Tax	23.1	12.5	18.9	1.3			55.8	9.1%
Excise	11.5	0.2	0.6		1.9	n/a	14.2	2.3%
Pass-Through Entity	n/a	n/a	1.7	0.9	8.5	1.3	12.4	2.0%
School District Income Tax	0.5	4.0	18.0		0.1	n/a	22.6	3.7%
Total	\$79.7	\$105.3	\$296.1	\$62.8	\$47.8	\$19.2	\$610.9	100.0%



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 \$23.1 billion in net collections during the period of this report, Ohio's 2010 fiscal year, which is the period from July 1, 2009 through June 30, 2010. 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 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 are not administered by the Tax Commissioner, but by other state agencies. Thus, collections for these other taxes – including the foreign and domestic insurance taxes, motor vehicle license tax, and liquor gallonage tax – are not shown in Table 1.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately \$22.1 billion during the fiscal year. This was a decrease of nearly \$1.0 billion from the previous fiscal year, or about 4 percent. Receipts from locally-collected taxes were approximately \$1.0 billion in the 2009 calendar year, a decrease of about \$556 million from the prior year, or about 36.6 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2010. Excluding federal aid, total revenue amounted to approximately \$18 billion. Of this total, tax revenue represented \$16.2 billion, a steep decline from 2009, when tax revenues were \$17.1 billion.

As the second table shows, the largest single revenue source for the general fund was the individual income tax, with approximately \$7.2 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than \$7.1 billion. From the 2009 to the 2010 fiscal years, income tax revenue declined by approximately 5.0 percent, and sales tax collections declined by 0.5 percent.

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; however, a scheduled five-year phase-out for most of this tax began in tax year 2006, ensuring revenue decline through 2010.

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 was 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 \$518.4 million in revenue in fiscal year 2009, of which only \$156.3 million was deposited into the General Revenue Fund. The remaining \$362.1 million was distributed to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.2 percent of total General Revenue Fund taxes in fiscal year 2010. Most of the remaining 2.8 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 44.6 percent of tax revenue into the general fund for fiscal year 2010.

The total revenue from all state tax sources amounted to approximately \$21.4 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 are available at the Department of Taxation's Web site (tax.ohio.gov); others can be obtained by contacting the Tax Analysis Division at (614) 466-3960.

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, 09-10
	FY 2009	FY 2010	FY 2009	FY 2010	
State Sales and Use	\$7,404,725,635	\$7,340,487,909	\$7,328,389,011	\$7,253,496,856	-1.02%
Local Sales and Use	1,719,949,296	1,702,636,671	1,719,949,296	1,702,636,671	-1.01%
Resort Area Excise	801,280	805,536	801,280	805,536	0.53%
State Personal Income	9,678,732,542	9,021,472,737	8,323,352,397	7,886,802,018	-5.24%
Municipal Income Tax for Electric Light Companies	28,357,693	19,231,944	28,357,693	19,231,944	-32.18%
School District Income	333,259,282	325,944,977	310,668,145	301,922,821	-2.82%
Corporation Franchise ¹	710,875,661	367,982,261	521,363,407	142,317,721	-72.70%
Commercial Activity Tax ⁴	1,216,537,835	1,379,151,123	1,179,414,794	1,342,055,365	13.79%
Dealers in Intangibles	39,332,835	40,873,585	38,420,165	40,856,527	6.34%
Motor Vehicle Fuel	1,747,138,793	1,744,625,722	1,726,741,847	1,727,242,267	0.03%
Motor Fuel Use	30,270,987	38,482,227	29,806,590	38,095,019	27.81%
Public Utility Excise	184,515,554	136,746,955	184,515,554	136,739,081	-25.89%
Kilowatt-Hour Excise	544,674,328	518,414,651	544,575,469	518,409,440	-4.80%
Natural Gas Consumption	71,006,551	66,526,083	70,853,004	66,372,536	-6.32%
Cigarette Excise	927,485,805	888,541,394	924,763,876	886,874,788	-4.10%
Local Cigarette Excise	22,233,760	21,036,155	22,089,078	20,960,863	-5.11%
Alcoholic Beverage Excise ²	58,106,976	57,278,780	57,981,763	57,099,072	-1.52%
Local Alcoholic Beverage ^{2,3}	5,771,236	5,378,290	5,771,236	5,378,290	-6.81%
Replacement Tire Fee	7,250,696	7,170,799	7,167,912	7,091,652	-1.06%
Horse Racing	9,543,766	8,369,847	9,543,766	8,369,847	-12.30%
Severance	11,053,522	10,550,321	11,053,522	10,550,321	-4.55%
Total State-Collected Taxes	\$24,751,624,033	\$23,701,707,966	\$23,045,579,805	\$22,173,308,635	-3.78%
Tax Collections					
Locally-Collected Taxes	CY 2008	CY 2009	Percent Change, 08-09		
Tangible Personal Property ⁵	\$539,740,043	\$55,051,474	-89.80%		
Public Utility Property ⁶	645,176,010	676,598,501	4.87%		
Estate ⁷	333,846,947	230,779,688	-30.87%		
Total Locally-Collected Taxes	\$1,518,763,000	\$962,429,663	-36.63%		

Sources: Fiscal year 2009 and 2010 data on state-collected taxes was extracted from the state accounting system (OAKS). Data on locally-collected taxes is based on Department of Taxation's own data sources.

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

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

3 Collected for Cuyahoga County.

4 The commercial activity tax was phased in over a five-year period, beginning in fiscal year 2006.

5 The tangible personal property tax was phased out over a four-year period beginning in tax year 2006, except for telephone property which is being phased out over a five year period beginning in tax year 2007.

6 Consists of taxes levied on the tangible personal property of public utilities for collection in the following year.

7 Consists of fiscal year 2009 and 2010 data, respectively (rather than calendar years 2008 and 2009). Reflects both state and local shares of estate tax collections.

Table 2

General Revenue Fund Sources:	
Fiscal Year 2010	
(figures in thousands)	
(excludes federal aid)	
Major Taxes:	2010 Collections
Personal Income Tax	\$7,247,224
Sales and Use Tax	7,077,372
Corporation Franchise Tax	141,748
Public Utility Excise Tax	136,739
Kilowatt-Hour Excise Tax	156,289
Cigarette Excise Tax	886,875
Alcoholic Beverage Taxes (including liquor gallonage)	<u>92,840</u>
Subtotal: Major Taxes	\$15,739,087
Other Taxes:	
Domestic Insurance Tax	161,676
Estate Tax	55,024
Foreign Insurance Tax	250,776
Dealers in Intangibles Tax	27,250
Subtotal: Other Taxes	494,726
Total: All Tax Revenue	\$16,233,813
Non-Tax Revenue	
Earnings on Investment	28,700
Liquor Profits	167,000
Miscellaneous ¹	<u>1,622,158</u>
Total: Non-Tax Revenue	\$1,817,858
GRAND TOTAL	18,051,671

Source: Ohio Office of Budget and Management.

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

Chart 1

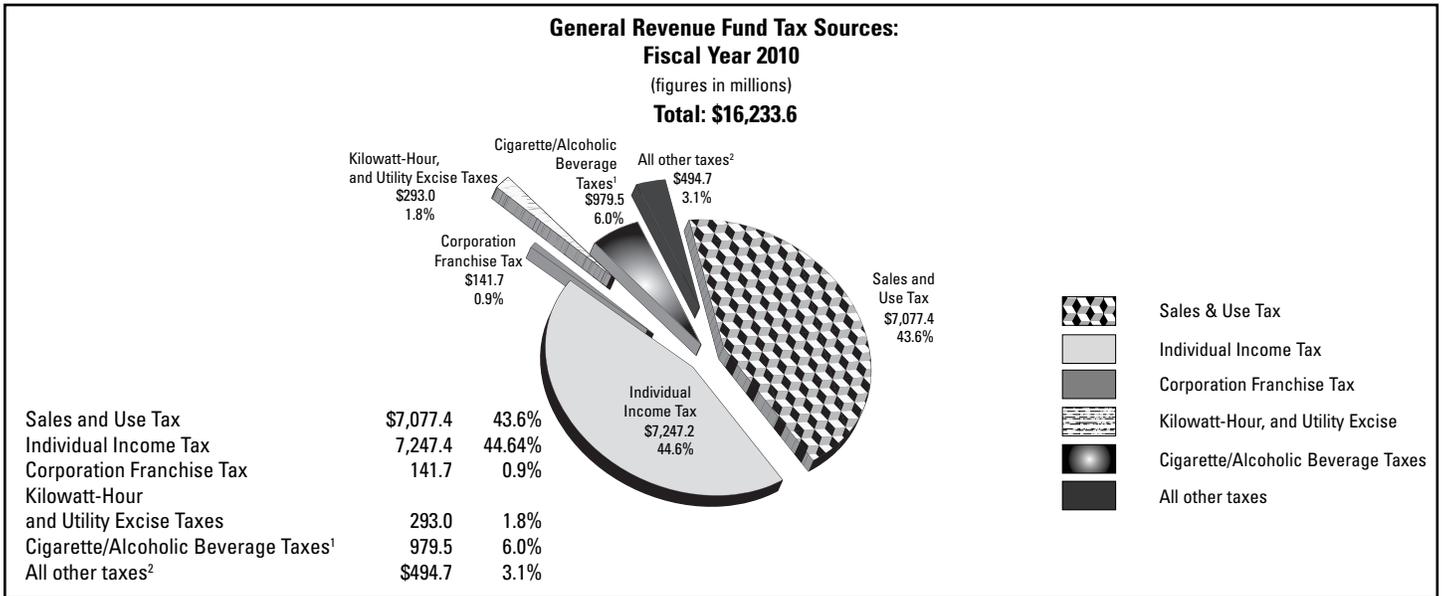
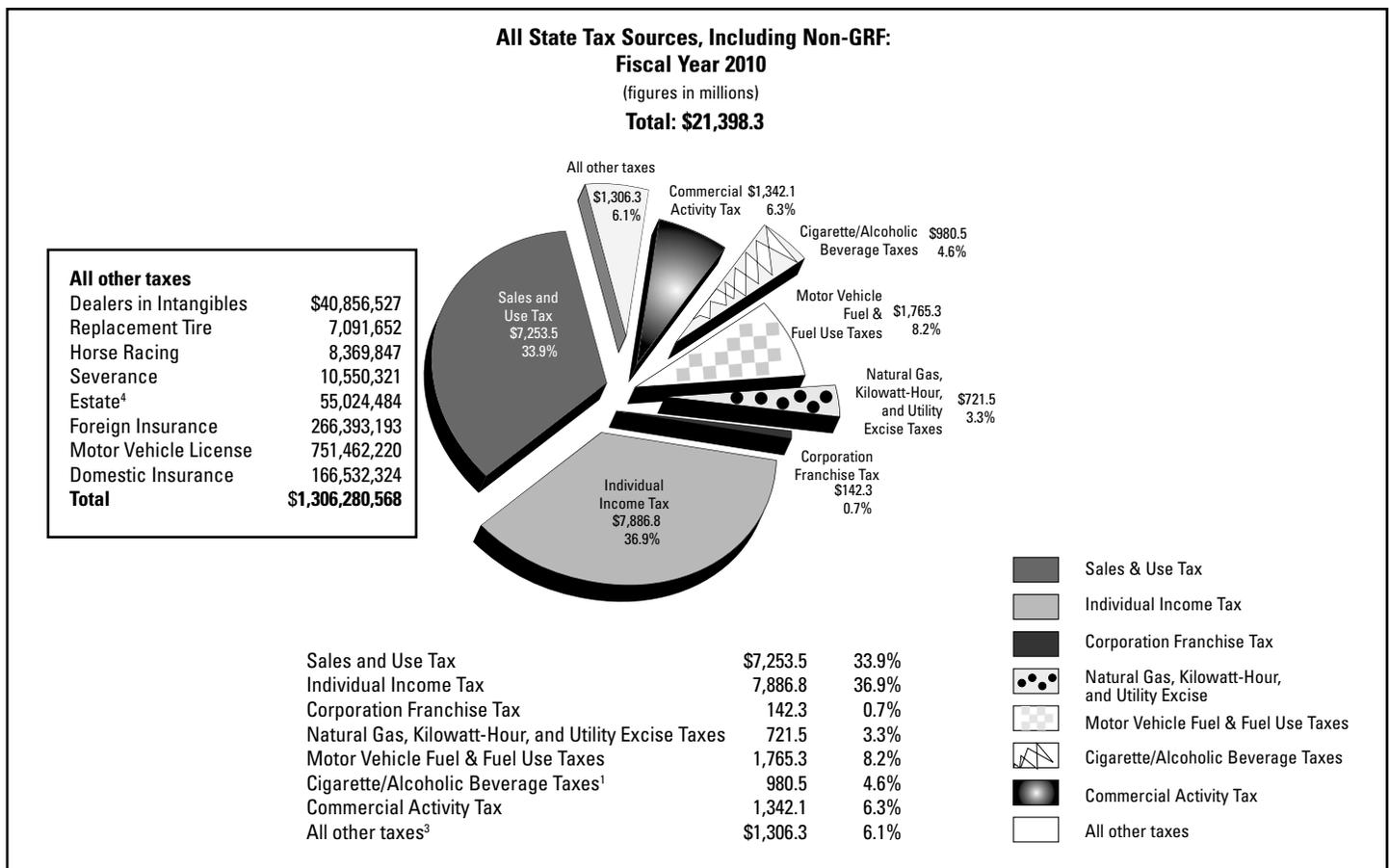
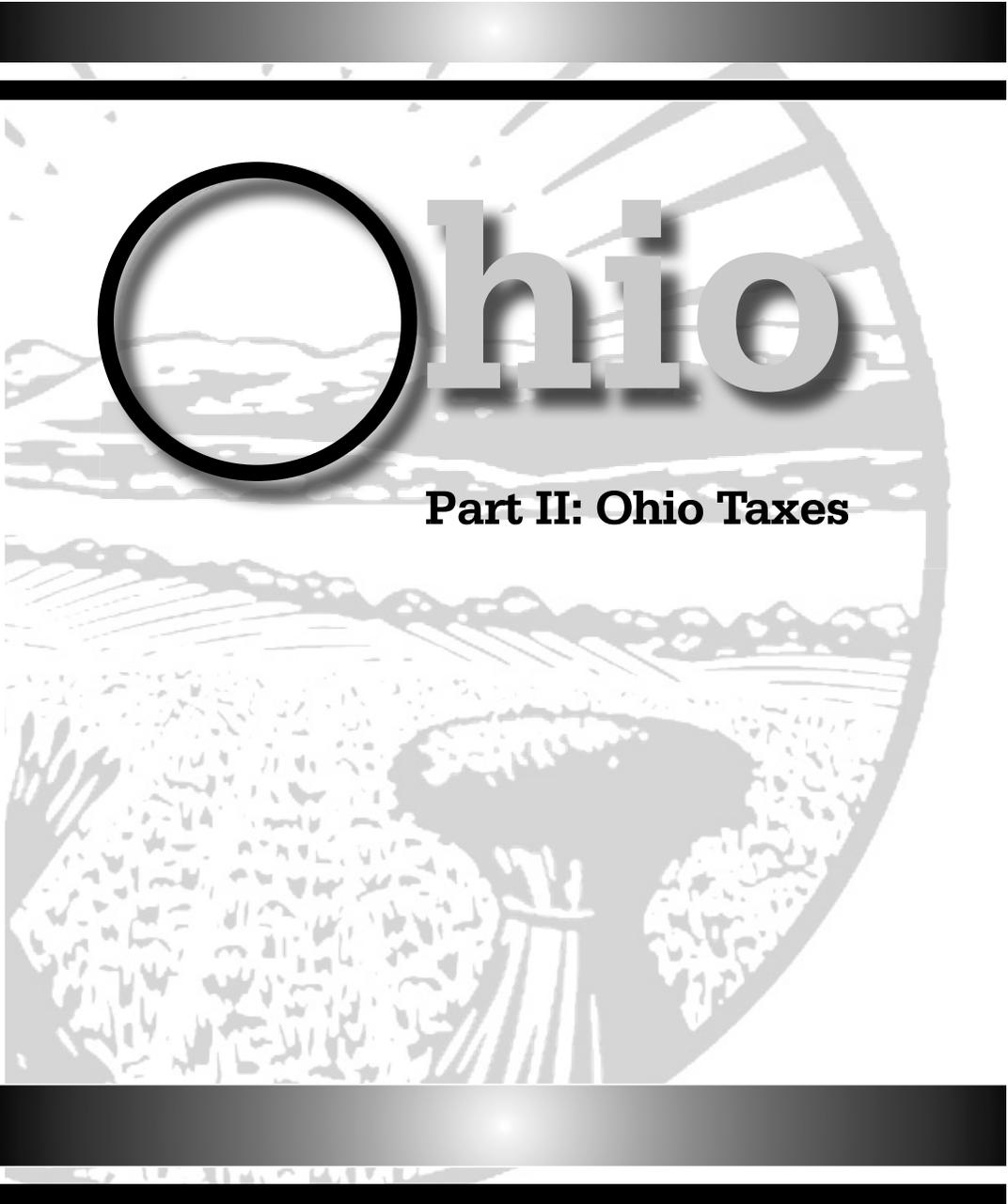


Chart 2



1 Includes tax on liquor of \$36.5 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.
 3 This figure is comprised of the following state tax revenues 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.

The background of the page features a large, light gray watermark of the Ohio state seal. The seal depicts a landscape with a sun rising over mountains, a river, and a field of wheat with a sheaf of wheat in the foreground. The word "Ohio" is written in a large, bold, sans-serif font across the middle of the seal. The letter "O" is significantly larger than the other letters and has a thick black outline. The text "Part II: Ohio Taxes" is positioned below the word "Ohio".

Ohio

Part II: Ohio Taxes



Alcoholic Beverage Taxes

Responsibility for administering Ohio's taxes on alcoholic beverages is split between the Ohio Department of Taxation and the Ohio Department of Commerce's Division of Liquor Control. This chapter covers only the role of the Department of Taxation, which is the administration of taxes on beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume.

Tax payments from excise taxes on beer, wine, cider and mixed beverages totaled approximately \$56.1 million in fiscal year 2010. This revenue is distributed to the General Revenue Fund, except for 2 cents of the tax on each gallon of wine, which is designated for the research and study of grapes and grape products under the direction of the Ohio Grape Industries Committee.

The Department of Taxation also administers county permissive taxes on beer, wine, cider and mixed beverages. Cuyahoga County is the only county that levies such taxes; in 2008, the General Assembly prohibited new local taxes on alcohol.

Taxpayer

The excise taxes on alcoholic beverages are paid by the manufacturers, importers, and wholesale distributors who sell and distribute in and to Ohio, as shown in the table below.

Type of Product	Code Section	Taxpayer
Bottle and canned beer	4301.42	Manufacturer, bottler, canner, or wholesale dealer
Wine	4301.43	Manufacturer, wholesale dealer, or retail dealer
Mixed beverages	4301.43	Manufacturer, wholesale dealer, or retail dealer
Beer in barrels	4305.01	Manufacturer or consignee

Tax Base

(Ohio Revised Code 4301.01)

The tax base is comprised of beer, wine, cider, and mixed beverages up to 21 percent alcohol by volume. These beverages are defined in law as follows:

- Beer is brewed or fermented from malt products. It contains at least 0.5 percent but not more than 12 percent alcohol by volume.

- Mixed beverages are mixtures of wine or distilled spirits with carbonated or noncarbonated flavoring materials. They contain at least 0.5 percent and not more than 21 percent alcohol by volume.
- Wine, including sparkling wine and vermouth, consists of fermented juices of grapes, fruits or other agricultural products. It contains at least 0.5 percent and not more than 21 percent alcohol by volume. By law, wine with less than 4 percent alcohol is not subject to the alcoholic beverage excise tax.
- Cider consists of fermented juices of apples, including flavored, sparkling, or carbonated cider. It contains at least 0.5 percent and not more than 6 percent alcohol by weight.

A separate tax on liquor gallonage is administered by the Division of Liquor Control.

Rates

Excise tax rates on each alcoholic beverage vary by type and alcohol content. The state tax rates are as follows:

Type of Product	Code Section	Measure	Rate
Beer in bottles or cans	4301.42	6 oz. or fractional part thereof	0.84 cent(s) ¹
Wine (containing alcohol 4.0 - 14% by volume)	4301.43 – 4301.432	Gallon	32 cents
Wine (containing alcohol 14 - 21% by volume)	4301.43 – 4301.432	Gallon	\$1.00
Vermouth	4301.43 – 4301.432	Gallon	\$1.10
Sparkling and carbonated wine and champagne	4301.43 – 4301.432	Gallon	\$1.50
Cider	4301.43	Gallon	24 cents
Mixed beverages	4301.43	Gallon	\$1.20
Beer in barrels	4305.01	31 gallons	\$5.58

Cuyahoga County's rates are 16 cents per gallon of beer, 32 cents per gallon of wine and 24 cents per gallon of cider.

Exemptions and Refunds

(R.C. 4301.23, 4303.332, 4303.333, 4307.05)

Exemptions

The alcoholic beverage tax does not apply to:

¹ The rate on bottles and cans having less than 12 ounces is 0.14 cent(s) per ounce.

- Sacramental wine used in religious rites.
- Sales to the federal government.
- Sales for resale outside Ohio.

Small breweries

Any licensed Ohio brewer whose total production, wherever produced, does not exceed 31 million gallons in a calendar year will receive a credit against their excise tax the following year, and a refund on any excise tax paid during the current year, on up to 9.3 million gallons of beer distributed in Ohio.

Small wineries

Any licensed Ohio wine producer whose total production does not exceed 500,000 gallons in a calendar year will be granted an exemption from the excise tax for such year and a refund of any excise tax paid.

Filing and Payment Dates

(R.C. 4303.33, 4301.422)

Filing and payment schedules vary according to the type of permit.

Beer permit holders

- Advance payments are due on or before the 18th day of each month for that month’s estimated tax liability.
- Monthly payments are due on or before the 10th day of the month for the previous month’s liability.

Wine and mixed beverage permit holders

Monthly payments are due on or before the 18th day of each month for the previous month’s liability.

County permissive levies

Monthly payments are due on or before the last day of the month for the previous month’s liability.

Discounts and Additional Credits

(R.C. 4303.33, 4301.422)

Discounts and additional credits are available for collection and timely payment of tax liability by permit holders.

Beer permit holders

An advance pay credit is available equal to 3 percent of the amount of tax received by the 18th day of the month for which the tax is paid. Also, a discount is offered on the bal-

ance of tax due (after the advance payment) if received by the 10th day of the following month. This additional discount is the smaller of the following: 3 percent of 10 percent of the advance payment or 3 percent of the net amount of tax due after deducting the advance payment.

Wine and mixed beverage permit holders

A 3 percent discount is available on the amount of monthly payment if the payment is received on or before the 18th day of the month for the previous month’s tax liability.

County permissive levies

Taxpayers filing timely returns and making timely payments receive a 2.5 percent discount on the tax liability due.

Disposition of Revenue

(R.C. 924.51-.55, 4301.43, 4301.432, 4301.46, 4305.01, 4301.423)

State levies

All of the excise tax levied on wine, beer, cider and mixed beverages is paid into the General Revenue Fund except for 5 cents per gallon of the excise tax on wine, which is paid into the Grape Industries Special Account to provide funds for research, development, and marketing of grape products in Ohio.

County permissive levies

The Local Excise Tax Administrative Fund receives 2 percent of all collections for the Department of Taxation’s administrative expenses. The remaining revenue collected is distributed to the county in the month following collection.

Administration

(R.C. 4307.04)

The Tax Commissioner administers alcoholic beverage taxes on beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume. The Division of Liquor Control, in the Ohio Department of Commerce, administers the liquor gallonage tax. The Division of Liquor Control is also responsible for issuing, suspending, and revoking all permits to manufacture, distribute, and sell alcoholic beverages.

Ohio Revised Code Citations

Chapters 924, 4301, 4303, 4305, 4307, 4309.

Chart

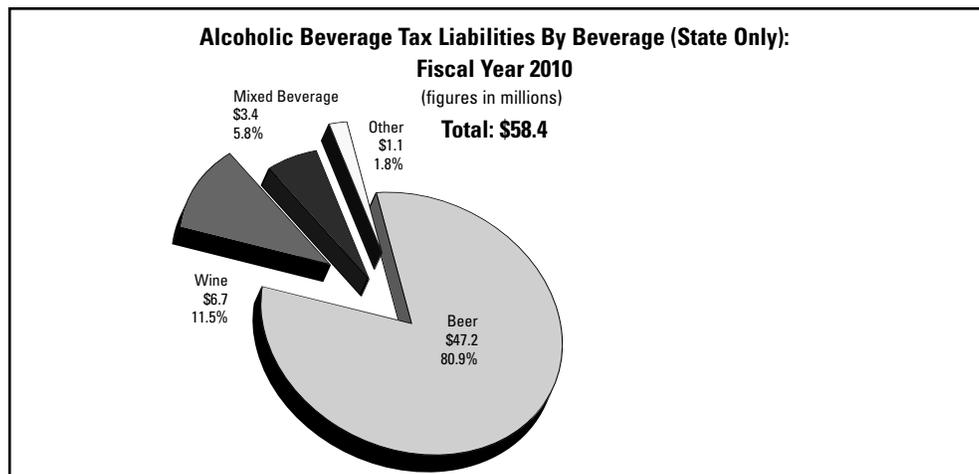


Table 1

Alcoholic Beverage Taxes Payments and Credits: Fiscal Year 2010			
Type of Beverage	Gross Tax	Credits and Discounts	Net Tax Receipts
Beer:			
Advance tax payments	\$36,209,087	\$1,040,187	\$35,168,900
Payment with return	10,905,145	61,287	10,843,858
Sub Total	\$47,114,232	\$1,101,474	\$46,012,758
Wine and Mixed beverages:			
Payment with return	\$10,421,635	\$343,348	\$10,078,287
Total	\$57,535,867	\$1,444,822	\$56,091,045

Source: Department of Taxation, as reported on tax returns.

Table 2

Alcoholic Beverage Taxes Liability as Reported on Returns: Fiscal Years 2008 - 2010			
Amounts represent tax liability as opposed to tax payments reported on Table 1.			
Type of Beverage	Amount of Tax Liability		
	2008	2009	2010
Beer	\$49,297,212	\$46,719,330	\$47,217,862
Wine 14% or less alcohol	4,813,962	4,891,512	5,268,210
Wine > 14-21% alcohol	1,307,173	1,351,787	1,459,393
Mixed beverages	3,363,515	3,419,545	3,386,239
Vermouth	94,960	74,968	85,092
Sparkling wine	877,175	860,909	904,156
Cider	44,739	62,307	74,789
Total	\$59,798,736	\$57,380,358	\$58,395,741

Table 3

Cuyahoga County Beer and Wine Liabilities as Reported on Returns: Fiscal Years 2008 - 2010			
Type of Beverage	2008	2009	2010
Beer	\$4,830,995	\$4,436,383	\$4,170,738
Wine	1,149,960	1,194,735	1,207,499
Total	\$5,980,955	\$5,631,118	\$5,378,237

Source: Department of Taxation, as reported on tax returns.



Cigarette and Other Tobacco Products Tax

Ohio has levied an excise tax on cigarettes since 1931. The current rate, \$1.25 per pack, was set by the Ohio General Assembly effective July 1, 2005. The tax is paid primarily by wholesale dealers through the purchase of stamps (tax indicia) that are affixed to packs of cigarettes. Individual consumers are responsible for paying the tax on cigarettes that are not taxed at the wholesale dealer level.

In fiscal year 2010, total state receipts from the sale of stamps amounted to over \$838.4 million, an amount that does not include revenue from taxes on other tobacco products. This amount was credited to the state General Revenue Fund.

An excise tax on “other tobacco products” – including cigars, chewing tobacco, snuff, smoking tobacco and other tobacco products – was enacted effective Feb. 1, 1993. The 17 percent tax is levied on the wholesale price of other tobacco products manufactured in Ohio or imported into Ohio. In fiscal year 2010, total net receipts were over \$48.5 million. This amount was credited to the state General Revenue Fund.

In 1986, the Ohio General Assembly authorized county governments to levy a permissive tax of up to 4.5 cents per pack for the purpose of funding the operation or servicing the debt of a sports facility operated by the county or a development corporation. Cuyahoga County voters approved such a levy effective Aug. 1, 1990, with revenue devoted to facilities used by the Cleveland Indians, Cavaliers and Browns. In 2006, the General Assembly authorized qualified counties to levy an additional permissive tax of up to 30 cents per pack for the purpose of funding a regional arts and cultural district. Voters in Cuyahoga County approved such an additional levy effective Feb. 1, 2007.

In 2008, the General Assembly prohibited new local taxes on cigarettes. The grandfathered Cuyahoga County levies, with a total combined rate of 34.5 cents per pack of 20 cigarettes, produced revenue of more than \$20.5 million during FY 2010 for sports facilities and the regional arts and cultural district.

The Department of Taxation administers and collects both the state tax and the permissive tax. For the permissive taxes, collection is made through sales of tax indicia for cigarettes to be sold in Cuyahoga County. The revenues are distributed to Cuyahoga County in the month following their collection. The Department of Taxation retains 2 percent of the collections for administrative expenses.

All state cigarette tax exemptions and credits also apply to the county levies.

Taxpayer

(Ohio Revised Code 5743.01)

The cigarette tax is paid by:

- Wholesale dealers, meaning those who purchase cigarettes directly from manufacturers, producers, importers, or other wholesalers and then sell cigarettes to retailers for the purpose of resale.
- Persons, meaning individuals, companies, or any other person who have cigarettes in their possession on which the excise tax has not been paid.

The tax on other tobacco products is paid by:

- Distributors, meaning all manufacturers, wholesalers or retailers who are licensed as other tobacco product distributors.
- Any person who receives untaxed other tobacco products in this state on which the excise tax has not been paid.

Tax Base

The base of the taxes discussed in this chapter includes:

- the sale of cigarettes in Ohio (R.C. 5743.02, 5743.021).
- the use, consumption, or storage for consumption of cigarettes in Ohio (R.C. 5743.32).
- the receipt or import of other tobacco products for resale (R.C. 5743.51).

Rates

The state tax rate on the sales or use of cigarettes is \$1.25 per pack of 20 or 6.25 cents per cigarette (R.C. 5743.02, 5743.32).

The state tax rate on other tobacco products is 17 percent of the wholesale price (R.C. 5743.51, 5743.63).

The combined additional cigarette tax rate in Cuyahoga County is 34.5 cents per pack. Of that amount, 4.5 cents per pack is levied in support of sports facilities (R.C. 5743.024) and 30 cents per pack funds a regional arts and cultural district.

Exemptions

Cigarettes sold in interstate or foreign commerce or to the U.S. government or its agencies are exempt (R.C. 5743.05).

Special Provisions

Discounts (R.C. 5743.05, 5743.52)

As a consideration for affixing and cancelling cigarette stamps, wholesale dealers receive a discount of 1.8 percent of the face value of stamps. Other tobacco products taxpayers receive a 2.5 percent discount for timely payment of the tax.

Monthly reports (R.C. 5743.072, 5743.15 and 5743.66)

Manufacturers, importers and brokers shipping cigarettes and other tobacco products into Ohio are required to register and file monthly reports with the Tax Commissioner.

Authorized sales (R.C. 5743.20)

The identities of all entities authorized to make cigarette and other tobacco products sales – including registered manufacturers, importers and brokers of cigarettes and other tobacco products, as well as all licensed cigarette wholesalers and distributors of other tobacco products – are subject to public disclosure. As required by law, the Tax Commissioner maintains this list at tax.Ohio.gov.

Unstamped cigarette prohibitions (R.C. 5743.10, 5743.111, and 5743.112)

It is a crime for any person to possess, transport, distribute or otherwise trade more than 1,200 unstamped cigarettes (meaning, cigarettes in packages that do not display the stamp indicating that the tax has been paid) without the consent of the Tax Commissioner. Any person in possession of less than 1,200 unstamped cigarettes is still liable for the excise tax on these cigarettes.

Authorized recipients of cigarettes (R.C. 2927.023)

All cigarettes coming into Ohio can only be transported or shipped to an “authorized recipient of tobacco products,” such as a licensed cigarette dealer. All other exchanges of cigarettes must be made in “face-to-face” transactions. It is an offense, punishable by a fine of up to \$1,000, to transport, or cause to be shipped, cigarettes to a person other than an “authorized recipient of tobacco products.”

Cigarettes legal for sale in Ohio (R.C. 1346.04 – 1346.10)

The office of the Ohio Attorney General maintains a list, on its Web site, of all cigarette brands that may be sold in Ohio. This list represents brands that are produced by manufacturers that are certified to be in compliance with the tobacco Master Settlement Agreement. It is illegal to sell in Ohio any brand of cigarette not on this list.

Master Settlement Agreement reports (R.C. 5743.03)

Persons who pay the cigarette or other tobacco products excise taxes are required to report the quantity of all cigarettes and roll-your-own cigarette tobacco sold in Ohio for each brand not covered by a manufacturer participating in the tobacco Master Settlement Agreement. A penalty of up to \$250 per month may be imposed for failing to file this report.

Filing and Payment Dates**Method of tax payment**

All cigarette wholesale dealers are required to purchase stamps from the Treasurer of State. Dealers are required to pay for stamps at the time of purchase unless they have been authorized to make purchases on credit. The Tax Commissioner may authorize wholesale dealers to purchase stamps on credit, payable within 30 days. Credit sales are allowed only during the months of July through April of each fiscal year.

Any person in possession of unstamped cigarettes (for example, a consumer who makes an out-of-state purchase), is required to pay the tax by direct payment to the Department of Taxation.

Filing Dates

Wholesale dealers file semi-annual returns on July 31 for the January to June period and on Jan. 31 for the preceding July through December period. The returns are required even though such dealers may have paid all their tax through the purchase of stamps. Any payment due on cigarettes not previously taxed is included (R.C. 5743.03).

Persons with untaxed cigarettes file monthly by the 15th day of each month for the preceding month (R.C. 5743.33).

Distributors or importers of other tobacco products file monthly reports by the last day of each month for the preceding month. Distributors with minimal sales activity may, upon authorization by the Tax Commissioner, file quarterly returns by April 30, July 31, Oct. 31 and Jan. 31 for the previous quarter's liability (R.C. 5743.52).

Disposition of Revenue

Revenue from the state cigarette and other tobacco products taxes are deposited in the state General Revenue Fund.

Revenue from Cuyahoga County's cigarette tax levies are distributed to the county, less a 2 percent administrative draw that is retained for the state Excise Tax Administrative Fund.

Administration

The state cigarette tax, the county cigarette tax and the tax on other tobacco products are administered by the Tax Commissioner.

Ohio Revised Code Citations

Chapter 5743.

Recent Legislation**House Bill 1, 128th General Assembly**

Change to license fees – The bill amended R.C. 5743.15 and 5743.61 effective Jan. 1, 2010, to raise the annual license fees for cigarette wholesale dealers, tobacco products distributors, and cigarette retailers. License fees for cigarette wholesalers and tobacco distributors increased to \$1,000 from \$200 and \$100, respectively. The retailer license fee increased to \$125 for each place of business, from \$30 for the first five places and \$25 for each additional place.

This bill also changed the distribution of revenue from license fees to the Cigarette Tax Enforcement Fund so that the fund receives all of the wholesaler revenue and 60 percent of the retailer revenue. Of the remaining revenue from retailer license fees, 30 percent is distributed to the political subdivision where the business is located and 10 percent is distributed to the county.

Table 1

Cuyahoga County Cigarette Tax Receipts: Fiscal Years 2006 - 2010			
Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2006	\$3,721,103	\$66,980	\$3,654,123
2007	12,167,370	219,013	11,948,357
2008	23,451,611	422,129	23,029,482
2009	22,034,003	396,612	21,644,404
2010	20,916,639	376,499	20,540,140

Source: Treasurer of State.

Table 2

Cigarette Tax Receipts: Fiscal Years 2006 - 2010			
Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
2006	\$1,010,469,343	\$18,188,448	\$992,280,895
2007	972,740,773	17,509,334	955,231,439
2008	932,281,345	16,781,064	915,500,281
2009	898,908,375	16,180,351	882,728,024
2010	853,746,868	15,367,443	838,379,425

Source: Treasurer of State.

Table 3

Other Tobacco Products Tax Receipts: Fiscal Years 2006 - 2010			
Fiscal Year	Gross Tax	Discount	Net Tax Collected
2006	\$30,589,487	\$761,678	\$29,827,809
2007	31,786,206	782,286	31,003,920
2008	38,515,634	948,501	37,567,133
2009	42,807,378	1,074,863	41,732,515
2010	49,673,553	1,217,039	48,456,514

Source: Office of Budget and Management monthly revenue reports,
Treasurer of State.



Commercial Activity Tax

The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio, measured by gross receipts. The CAT is paid either quarterly or annually and applies to all business types that operate in Ohio, regardless of whether such business is located within Ohio. The tax was enacted by the Ohio General Assembly in 2005 as part of House Bill 66, legislation that also gradually phased out the tangible personal property tax and corporation franchise tax for the vast majority of Ohio businesses.

In fiscal year 2010, the CAT produced \$1,342.12 million in total revenue. Of the amount remaining after 0.85 percent was deposited in the tax reform administration fund, \$930.4 million, or 70 percent, was deposited in the School District Property Tax Replacement Fund and \$398.8 million, or 30 percent, was placed in the Local Government Property Tax Replacement Fund. No revenue was deposited into the General Revenue Fund.

The returns due and filed during fiscal year 2010 show that manufacturing taxpayers accounted for the largest share of tax liability, reporting \$343.2 million or 26.5 percent of the total while accounting for 10.3 percent of all taxpayers. The retail sector represented the largest group of taxpayers – 12.9 percent – and represented 20.5 percent of total liability. Taxpayers with taxable gross receipts over \$100 million accounted for more than half (58 percent) of total CAT liability and just 0.5 percent of the overall taxpayer population. In contrast, taxpayers whose receipts were \$1 million or less represented just 1.0 percent of total tax liability but made up 72.1 percent of all taxpayers.

Taxpayer

(Ohio Revised Code 5751.01)

The CAT is paid by any person with taxable gross receipts of \$150,000 or more in a calendar year. The term “person” includes sole proprietors, partnerships and corporations. It also applies to service providers such as medical professionals, attorneys, and accountants, as well as persons engaged in the sale or rental of most types of real property. The tax also applies to all businesses that either:

- have at least \$500,000 in taxable gross receipts in Ohio;
- have at least \$50,000 in property in Ohio;
- expend at least \$50,000 in payroll for work in Ohio;
- have at least 25 percent of their total property, payroll, or gross receipts in Ohio; or
- are domiciled in Ohio.

The tax does not apply to entities such as nonprofit organizations or certain types of entities that are liable for another Ohio tax, including:

- financial institutions and certain affiliates of financial institutions, which pay the corporation franchise tax;
- insurance companies, which pay the Ohio insurance premiums tax, and certain affiliates of insurance companies; and
- dealers in intangibles, which pay the Ohio dealers in intangibles tax.

The tax also does not apply to certain receipts by public utilities that are subject to the public utility excise tax.

Tax Base

(R.C. 5751.001(F))

The base of the CAT is gross receipts situated to Ohio. “Gross receipts” means the total amount realized, without deduction for the cost of goods sold or other expenses incurred, that contributes to the production of gross income. Examples of gross receipts include sales, performance of services, and rentals or leases. The method of accounting for gross receipts for the CAT is the same as for federal income tax purposes (that is, accrual or cash basis).

Rates

(R.C. 5751.03 and 5751.031)

Generally, businesses with annual taxable gross receipts of \$150,000 or less are not subject to the CAT.

Businesses with annual taxable gross receipts of more than \$150,000 are subject to an annual minimum tax of \$150.

Businesses with annual taxable gross receipts in excess of \$1 million are subject to the annual minimum tax of \$150 and also pay tax of .26% on receipts above \$1 million on a quarterly basis (with a \$250,000 quarterly exclusion) at the following tax rates:

- April 1, 2008 to March 31, 2009: 0.208 percent.
- April, 2009 and thereafter: 0.26 percent.

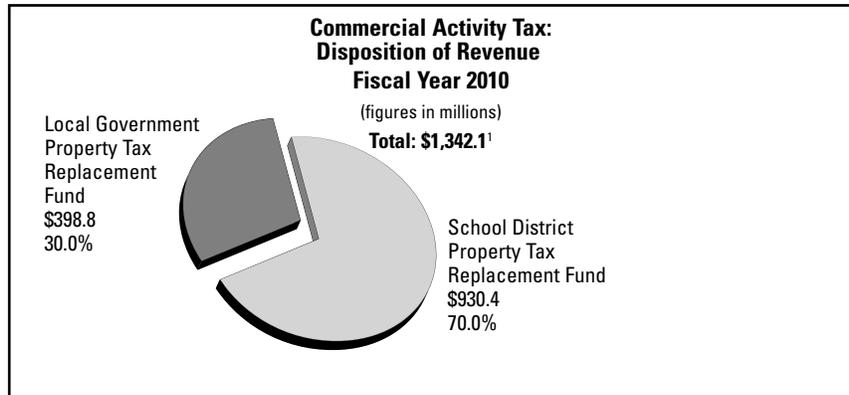
Credits

(R.C. 5751.51 – 5751.53, 5751.98)

Eligible taxpayers began accumulating one or all of the following credits against their CAT liability beginning Jan. 1, 2008, and were able to claim these credits beginning July 1, 2008 (on the return due Nov. 9, 2008):

- job creation tax credit.
- job retention tax credit.
- credit for qualified research expenses.
- credit for research and development loan payments.

In addition, a credit for unused franchise tax net operating loss deductions became available starting with the 2010 calendar year.

Chart

For more information about these credits, see the **Business Tax Credits** chapter.

Filing and Payment Dates

(R.C. 5751.051)

All businesses liable for the CAT must register prior to filing a return. All taxpayers are subject to the annual minimum tax of \$150, which is due by May 10 of each year.

Taxpayers with taxable gross receipts greater than \$1 million must file quarterly returns. Quarterly returns must be filed electronically through the Ohio Business Gateway. Quarterly returns are due on the tenth day of the second month after the end of each calendar quarter (May 10, Aug. 10, Nov. 10, and Feb. 10).

Taxpayers with taxable gross receipts less than \$1 million may file annual returns. The annual return may also be filed electronically but electronic filing is not mandatory as it is with the quarterly return. The annual return is due on or before May 10 of each year. The annual return reports the prior year's taxable gross receipts and pays the annual minimum tax for the current (privilege) year.

Disposition of Revenue

(R.C. 5751.20)

From the total CAT revenue 0.85 percent is dedicated to the Tax Reform System Implementation Fund. A portion of all state tax revenues collected by the Attorney General are put into the Attorney General's Claims Fund as prescribed by law. These are required and one is outlined above. It is essentially an administrative fund for the Attorney General's office. Of the remaining revenue, during the 2010 fiscal year:

- 70 percent of the revenue generated by the CAT was dedicated to the School District Property Tax Replacement Fund.
- 30 percent of the revenue generated by the CAT was dedicated to the Local Government Property Tax Replacement Fund.

Current law maintains this distribution formula until fiscal year 2011. Beginning in fiscal year 2012, the CAT revenue apportioned to the Local Government Property Tax Replacement Fund will be drawn down at an average rate of 3.5 percentage points annually and deposited into the General Revenue Fund. Starting with fiscal year 2019, the General Revenue Fund will receive 30 percent of CAT revenue, and the remaining 70 percent will be allocated to the School District Property Tax Replacement Fund.

Administration

The Tax Commissioner administers the CAT and distributes the revenue to the various funds.

Ohio Revised Code Citations

Chapter 5751.

Recent Court Cases**Ohio Grocers Association v. Levin, 123 Ohio St.3d 303, 2009-Ohio-4872:**

The Ohio Supreme Court reversed the decision made by the Tenth District Court of Appeals in *Ohio Grocers Assoc., et. al. v. Wilkins*, 897 N.E.2d188 (Ohio App. 10th Dist., Sept. 2, 2008). In its opinion, the Court decided that the CAT "is not a tax on the sale or purchase of food and therefore does not violate the Ohio Constitution." The Court further clarified that the CAT "is a tax on the privilege of doing business" and the "fact that the tax is measured by gross receipts that include proceeds from the sale of food does not affect the constitutionality of [the CAT]."

¹ Includes \$12.9 million for the Attorney General Claims Fund and Tax Reform System Implementation Fund. From total CAT revenue, 0.85 percent is dedicated to the Tax Reform System Implementation Fund. Additionally, a portion of all state tax revenues collected by the Attorney General is deposited into the Attorney General Claims Fund as prescribed by law.

Table 1

Industrial Classification	NAICS Code Ranges	Number of Returns and Reported Financial Data, by Industrial Classification ¹ (Dollar amounts are in thousands)		Net Taxable Gross Receipts	Exclusion ²	Tax Rate at 0.26%	Annual Minimum Tax ³	Tax Before Credits	Non-refundable Tax Credits ⁴	Refundable Tax Credits ⁵	Total Tax Due: 0.26% Tax and Minimum Tax
		Number of Taxpayers	Number of Taxable Gross Receipts								
Agriculture, Forestry, and Fishing	111100-115310	5,695	\$5,068,432	\$2,444,880	\$6,821	\$854	\$7,675	\$0	\$0	\$0	\$7,675
Mining	211110-213110	730	4,271,488	403,448	10,057	110	10,166	164	81	81	9,922
Utilities (excluding telecommunications)	221100-221300	125	15,264,127	76,855	39,487	19	39,506	0	0	0	39,506
Construction	236110-238900	14,878	27,345,126	7,078,663	52,693	2,232	54,925	190	0	0	54,734
Manufacturing	311110-339900	15,460	150,921,902	9,822,054	366,860	2,319	369,179	16,787	9,203	9,203	343,188
Wholesale Trade	423100-425120	8,565	83,460,971	5,460,770	202,801	1,285	204,085	91	3,598	3,598	200,397
Retail Trade	441110-454390	19,290	113,181,314	10,834,329	266,102	2,894	268,996	311	2,445	2,445	266,240
Transportation and Warehousing	481000-493100	4,257	12,787,775	2,157,085	27,640	639	28,278	52	2,121	2,121	26,106
Information (including telecommunications)	511110-519100	1,488	24,893,352	839,814	62,539	223	62,762	264	977	977	61,521
Finance and Insurance	522110-525990	5,496	8,674,572	1,833,302	17,787	824	18,612	290	405	405	17,916
Real Estate, and Rental & Leasing of Property	531110-533110	12,682	14,405,303	5,405,553	23,399	1,902	25,302	5	0	0	25,297
Professional, Scientific and Technical Services	541110-541990	13,870	32,448,756	6,664,390	67,039	2,081	69,120	347	1,465	1,465	67,307
Management of Companies (Holding Companies)	551111-551112	869	26,895,276	646,110	68,248	130	68,378	1,988	7,924	7,924	58,467
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	3,710	7,893,512	1,779,808	15,896	557	16,452	89	102	102	16,261
Education, Health Care and Social Assistance	611000-624410	11,932	23,480,481	6,937,740	43,011	1,790	44,801	100	25	25	44,676
Arts, Entertainment, and Recreation	711100-713900	1,441	2,375,041	649,331	4,487	216	4,703	0	0	0	4,703
Accommodation and Food Services	721110-722410	7,847	13,599,655	4,162,413	24,537	1,177	25,714	0	0	0	25,714
Other Services	811110-812990	7,708	6,774,053	3,354,831	8,890	1,156	10,046	0	180	180	9,867
Unclassified	n/a	14,010	11,276,293	5,163,096	15,894	2,102	17,996	0	359	359	17,637
TOTAL		150,053	\$585,017,428	\$75,714,471	\$1,324,188	\$22,508	\$1,346,696	\$20,678	\$28,884	\$28,884	\$1,297,134

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2010. This is because table reflects reported tax liability, not actual payments made. In addition, the table reflects information from tax returns on the computer system as of the dates when the August 2009, November 2009, February 2010 and May 2010 return data was extracted; any subsequently filed tax returns or subsequent corrections made to previously-filed tax returns are not reflected in this table.

2 On a quarterly basis, each taxpayer's first \$250,000 in taxable gross receipts is excluded from the 0.26% tax, resulting in an annual exclusion of \$1 million per taxpayer.

3 The annual minimum tax is \$150. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax.

4 Beginning with the first quarter 2010 filing period (the tax return due in May 2010), an additional nonrefundable tax credit could be claimed by qualifying taxpayers: the credit for net operating loss carryforwards and other deferred tax assets.

Table 2

Fiscal Year 2010 Commercial Activity Tax Returns, Number of Returns and Reported Financial Data by Size of Taxable Gross Receipts ¹ (Dollar amounts are in thousands)										
Size of FY 2010 Taxable Gross Receipts ²	Number of Taxpayers	Taxable Gross Receipts	Exclusion ³	Net Taxable Gross Receipts	Tax at 0.28% Rate	Annual Minimum Tax ⁴	Tax Before Credits	Non- refundable Tax Credits ⁵	Refundable Tax Credits ⁶	Total Tax Due: 0.26% Tax and Minimum Tax
Less than \$1,000,000	108,125	\$35,913,470	\$35,277,356	\$636,114	\$1,654	\$16,219	\$17,873	\$0	\$4,551	\$13,322
\$1,000,000 -	1,999,999	17,615	16,803,509	8,029,043	20,876	2,642	23,518	14	212	23,292
2,000,000 -	2,999,999	7,054	17,259,519	6,814,739	27,156	1,058	28,215	28	331	27,855
3,000,000 -	3,999,999	3,623	12,518,649	3,515,872	23,407	543	23,951	19	67	23,865
4,000,000 -	4,999,999	2,388	10,665,873	2,310,519	21,724	358	22,082	23	119	21,940
5,000,000 -	9,999,999	5,052	35,233,338	4,902,478	78,860	758	79,618	77	1,192	78,349
10,000,000 -	24,999,999	3,487	53,623,223	3,400,487	130,579	523	131,102	499	3,653	126,950
25,000,000 -	49,999,999	1,312	45,750,851	1,290,244	115,598	197	115,794	283	2,719	112,792
50,000,000 -	99,999,999	668	46,997,322	659,237	120,479	100	120,579	1,864	3,134	115,582
100,000,000 -	499,999,999	608	126,428,982	619,030	327,106	91	327,197	9,012	4,363	313,822
\$500,000,000 -	\$999,999,999	73	49,744,337	73,000	129,145	11	129,156	1,327	1,818	126,011
\$1 billion and above	48	126,049,311	48,000	126,001,311	327,603	7	327,611	7,531	6,726	313,353
TOTAL	150,053	\$585,017,428	\$75,714,471	\$509,302,957	\$1,324,188	\$22,508	\$1,346,696	\$20,678	\$28,884	\$1,297,134

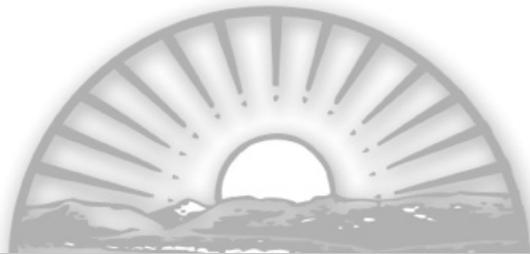
1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2010. This is because the table reflects reported tax liability, not actual payments made. In addition, the table reflects information from tax returns on the computer system as of the dates when the August 2009, November 2009, February 2010 and May 2010 return data was extracted; any subsequently filed tax returns or subsequent corrections made to previously-filed tax returns are not reflected in this table.

2 These categories reflect aggregate taxable gross receipts (before exclusion) as reported by taxpayers on returns that were due and filed during fiscal year 2009. For example, a taxpayer whose taxable gross receipts were \$5 million, \$6 million, \$4 million, and \$7 million, on returns filed in August 2009, November 2009, February 2010 and May 2010, respectively, would have total fiscal year 2010 taxable gross receipts of \$22 million, and thereby would be included within the \$10-\$25 million category.

3 On a quarterly basis, each taxpayer's first \$250,000 in taxable gross receipts is excluded from the 0.26% tax, resulting in an annual exclusion of \$1 million per taxpayer.

4 The annual minimum tax is \$150. All taxpayers (annual taxpayers and quarterly taxpayers alike) are required to pay the annual minimum tax.

5 Beginning with the first quarter 2010 filing period (the tax return due in May 2010), an additional nonrefundable tax credit could be claimed by qualifying taxpayers: the credit for net operating loss carryforwards and other deferred tax assets.



Corporation Franchise Tax

The corporation franchise tax is a business privilege tax that dates back to 1902. For most taxpayers, Ohio has completed the process of phasing out the corporation franchise tax in favor of the new commercial activity tax (CAT). The 2009 franchise tax report (based on the taxable year ending in 2008) was the last report that most taxpayers will file.

For report years 2010 and thereafter, the franchise tax applies only to financial institutions and a relatively small number of other corporations described in Ohio Revised Code 5733.01(G)(1)(b). These corporations were not subject to the phase out and do not pay the CAT.

Financial institutions pay a 13 mill tax measured by net worth. Other taxpayers compute the tax on both net worth and net income and pay on the base that produces the higher tax. The net worth tax rate for other taxpayers is 4 mills; the net income rate is 5.1 percent on the first \$50,000 of net income and 8.5 percent on remaining net income. These latter corporations are also subject to a litter tax based on either net worth or net income.

During fiscal year 2010, the corporation franchise tax generated about \$142.3 million in total revenue. The tables in this chapter provide data from reports due and filed in 2009. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits, the 80 percent phase-out factor, and the manufacturing grant, was approximately \$1,424.6 million. After tax credits, the manufacturing grant, and the 80 percent phase-out factor, the liability was \$259.5 million.

Data on financial institutions are reported separately from general corporations and are shown in the final table. Financial institutions reported tax liability before credits of \$156.26 million for the 2009 report year.

Of the total tax liability before credits for general corporations, about 83 percent came from taxpayers that paid on a net income basis. Of all corporation franchise taxpayers, approximately 21 percent paid tax on net income, 28 percent paid tax on net worth, and the remaining 51 percent paid the minimum tax.

Of financial institutions, banks filed 66 percent of all returns and paid 81 percent of the total tax liability. Savings and loans filed 24 percent of returns and paid 18 percent of the total liability. Other types of financial institutions accounted for the balance of returns and tax liability.

Taxpayer

(Ohio Revised Code 5733.01)

The Ohio corporation franchise tax is imposed on certain domestic and foreign corporations for the privilege of doing

business in Ohio. Starting with report year 2010, the tax is limited to financial institutions as well as the following entities identified in R.C. 5733.01(G)(1)(b):

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

The tax applies to the corporations described above as long as they:

- are organized for-profit;
- own capital or property in Ohio;
- hold a charter or certificate of compliance authorizing business operations in Ohio; or
- have nexus with Ohio.

Tax Base

(R.C. 5709.65, 5733.04, 5733.05, 5733.051, 5733.056)

The franchise tax is levied on the value of a corporation's issued and outstanding shares of stock.

Financial institutions pay tax based on their net worth. Other taxpayers determine the value of their stock under both a net income base and a net worth base, and pay on the base that produces the greater tax. For examples of calculations of the tax for non financial institutions, see the exhibit.

Qualifying holding companies pay tax on the net income base only.

Net Worth Base (R.C. 5733.05(C))

The net worth base value of issued and outstanding shares of stock is determined by subtracting from book net worth items excluded by statute; see **Exemptions, Exclusions, Deductions and Additions** for details. For financial institutions, the tax is determined by multiplying the taxpayer's adjusted net worth by the taxpayer's Ohio apportionment ratio and by the net worth rate of 13 mills (1.3 percent). For other corporations, the tax is calculated by multiplying this adjusted net worth by the net worth apportionment ratio and by the net worth tax rate of four mills (0.4 percent). See this chapter's exhibit for more information.

The net worth tax for financial institutions differs substantially from the net worth tax for other corporations.

Net Income Base (R.C. 5733.05(B))

The net income base value of issued and outstanding shares is calculated by making certain deductions from and additions to federal taxable income, then applying net operating loss deductions and special deductions for the taxable year (see Exemptions, Exclusions, Deductions and Additions). The adjusted income is then either allocated (in the case of

nonbusiness income) or apportioned (in the case of business income) in and outside of Ohio as follows:

- **Allocable Income** – Unless the Tax Commissioner requires an alternative method of allocation or approves the taxpayer’s requested alternative method, only non-business income is allocated in and outside Ohio (R.C. 5733.051).
- **Apportionable Income** – All income is presumed to be apportionable business income unless the taxpayer shows otherwise or the Tax Commissioner approves or requires an alternative method of apportionment. Business income is apportioned to Ohio according to a weighted three-factor formula: property, payroll, and sales (see the exhibit for details).

Ohio taxable (net) income is equal to the sum of nonbusiness income allocated to Ohio and business income apportioned to Ohio less Ohio net operating losses carried forward from an earlier year.

Rates

(R.C. 5733.06)

Financial institutions rate

Financial institutions are subject to tax on their net worth at a rate of 13 mills (1.3 percent).

Rates for other entities

The other franchise taxpayers (described in R.C. 5733.01(G)(1)(b)) compute the tax on both a net worth and a net income basis and pay on the base that produces the higher tax. These corporations are also subject to a litter tax based on either net worth or net income.

Net worth rate – Net worth taxable value is taxed at the rate of four mills (0.4 percent). The maximum tax on the net worth base for taxpayers other than financial institutions is \$150,000 per taxpayer.

Net income rates – Net income is taxed at the rate of 5.1 percent on the first \$50,000 of Ohio taxable income and 8.5 percent on Ohio taxable income in excess of \$50,000. Corporations that meet the ownership requirements to file a combined report must share the \$0 to \$50,000 tax bracket to which the 5.1 percent rate applies, regardless of whether or not they actually file a combined return.

Litter Tax Rates (R.C. 5733.066 and 5733.065) – In addition to the general franchise tax calculation rate, tier 1 litter tax applies to taxpayers other than financial institutions.

Tier I litter tax – The Tier I litter tax is a base litter tax computed on both the net income base and net worth base and paid on the base that produces the greater tax. The rates are:

- Net Worth – 0.14 mills (0.014 percent) on the taxable value (adjusted net worth) of the corporation, or
- Net Income – 0.11 percent on the first \$50,000 of Ohio taxable income plus 0.22 percent on taxable income in excess of \$50,000.

The maximum Tier I litter tax charged any taxpayer or group of combined taxpayers is \$5,000.

Minimum fee

For taxable years ending after June 25, 2003, the minimum tax liability for certain large taxpayers is \$1,000. For taxpayers other than large taxpayers, the minimum fee is \$50.

Exemptions, Exclusions, Deductions and Additions

Exempt Corporations (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10)

Entities not subject to the franchise tax include:

- nonprofit corporations;
- credit unions;
- subject to certain restrictions, “real estate investment trusts,” “regulated investment companies,” and “real estate mortgage investment conduits” as defined in the Internal Revenue Code (I.R.C.);
- corporations electing to be treated as an “S” corporation under the I.R.C., as well as their qualified subchapter S subsidiaries (QSSS);
- limited liability companies (LLCs), if treated as a partnership for federal tax purposes; and
- corporations in Chapter 7 bankruptcy proceedings (except for the portion of the current tax year such corporation had the power to exercise its corporate franchise unimpaired by such proceedings).

Additions and Deductions in Determining Net Worth (R.C. 5709.25, 5709.65, 5915.29, 6111.36 and 5733.056)

In determining net worth, entities other than financial institutions add to book net worth (assets minus liabilities) the “qualifying amount” as defined by R.C. 5733.05(D)(1).

In determining net worth, entities deduct from book net worth:

- certified Ohio civil defense structures;
- land in Ohio devoted exclusively to agriculture;
- qualified improvements to property located in an enterprise zone (generally does not apply to financial institutions); and
- appreciation and goodwill (applies only to financial institutions).

Adjustments in Determining Ohio Net Income (R.C. 5709.35, 5733.04, 5733.042, 5733.053, 5733.054, 5733.055, and 5733.058)

In determining Ohio net income, corporations start with federal taxable income. Corporations then make a number of adjustments, including:

- deduction of certain income from sources outside the United States;
- deduction of the “dividends received” deduction provided by section 243 of the I.R.C.;
- to the extent not otherwise deducted, deduction of dividends received from public utilities, insurance companies, and financial institutions in which the taxpayer has the ownership interests as described by statute. (In addition, receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
- deduction of gains and addition of losses from the sale of capital assets and I.R.C. section 1231 assets to the extent such gains and losses occurred prior to becoming a taxpayer;

Exhibit

The purpose of this exhibit is to explain how the corporation franchise tax is calculated on either the net worth or net income base for taxpayers other than financial institutions.

Net worth base

The net worth tax base of the tax is calculated this way:

$$\text{Ohio taxable value}^1 = \text{net value of stock} \times \text{apportionment ratio}$$

Net income base

The net income base of the tax is calculated this way:

Ohio Taxable Income ²	=	Business Income Apportioned to Ohio	+	Nonbusiness Income Allocated to Ohio	-	Ohio Net Operating Loss Carry Forward Deduction
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Apportionment ratios and factors

On either tax base, an apportionment ratio³ is used to distinguish net income or worth in Ohio from net income or worth everywhere else. Apportionment ratios are calculated according to this weighting:

$$\text{Apportionment ratio} = (\text{Property factor} \times 0.20) + (\text{Payroll factor} \times 0.20) + (\text{Sales factor} \times 0.60)$$

The individual factors are calculated this way:

Property Factor	=	Average cost of owned or rented real and tangible personal property used in business in Ohio	Average cost of such property used everywhere
Payroll Factor	=	Total compensation paid in Ohio	Total compensation paid everywhere
Sales Factor	=	Sales in Ohio	Sales everywhere

On the net income base of the franchise tax, the factors do not include property, payroll or sales relating to non-business income. On the net worth base of the tax, they do.

Also, for sales of tangible personal property, sales inside and outside Ohio are determined by the final destination of the property sold; other sales are situated according to where the purchaser received the benefit of that which was purchased.

Specific adjustments apply to each factor, as follows:

Property – Neither the numerator nor the denominator include the original cost of property used exclusively for qualified research or property in Ohio for which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate. Also, the numerator does not include the original cost of qualifying improvements to land or tangible personal property at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

Payroll – Neither the numerator or denominator include compensation paid in Ohio to employees engaged in qualified research. The numerator does not include compensation paid to certain new employees at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

Sales – Does not include sales derived from non-business allocable income. Also does not include interest and dividends.

1 The value of pollution control, coal conversion and energy conversion facilities property is excluded from the net value of stock. Also excluded: qualified property in an enterprise zone and land devoted exclusively to agriculture.
 2 Taxable income also includes income or losses from a transferor corporation and includes positive or negative adjustments for related entities and related members.
 3 A different apportionment formula applies to financial institutions.

- deduction of interest on Ohio public and purchase obligations and gains from the sale of;
- Ohio public obligations (losses from sales of Ohio public obligations are added to net income);
- deduction of wage and salary expenses not otherwise deducted for federal tax purposes because of the targeted jobs tax credit and/or the work opportunity tax credit;
- deduction of net interest income on federal government obligations;
- deduction of Ohio net operating losses carried forward from the prior 20 years (there is no Ohio net operating loss carry back provision);
- deduction of amounts contributed to an individual development account program;
- deduction of net income attributable to an “exempted investment” in a public utility (net loss from exempted investment in a public utility is added to net income);
- deduction of taxable temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses;
- addition of the amount claimed as a credit for taxes paid by a qualifying pass-through entity to the extent that the amount was deducted or excluded from the corporation’s federal taxable income;
- addition of interest and intangibles expense paid to certain related members;
- addition of income (and deduction of losses) earned by a transferor corporation that merges into the taxpayer in a tax-free reorganization;
- addition of depreciation expense adjustment for I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 depreciation and miscellaneous federal tax adjustments as required. Deduct one-fifth of this add back in each of the five subsequent years. Deduct any miscellaneous federal tax adjustments as required;
- addition of distributive or proportionate share of pass-through entity expenses paid to, losses incurred from transactions with, and excess inventory costs paid to related members; and
- addition of deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses.

Credits

A number of business tax credits may be claimed against more than one tax. Information about these credits has been consolidated in the **Business Tax Credits** chapter of this annual report.

Several other credits primarily apply to franchise taxpayers. They include:

Qualifying affiliated groups (R.C. 5733.068)

If as a result of the related entity and related member adjustments, an affiliated group would pay over \$3.5 million more franchise tax than the members of the group otherwise would have paid had the members of the group not made the related entity and related member adjustment, then the mem-

bers of the affiliated group may claim a nonrefundable credit equal to the difference between the additional tax and \$3.5 million. However, the credit is limited to \$1.5 million for the affiliated group (even if the additional tax exceeds \$5 million).

Recycling and litter prevention donations (R.C. 5733.064)

Taxpayers may claim a nonrefundable credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships that qualify for grants from the litter control and recycling special account. This credit is limited to the lesser of cash donations or 50 percent of the additional tax liability from litter tax rates.

Savings and loan association fees (R.C. 5733.063)

Savings and loan associations are permitted a nonrefundable credit against the tax due that is equal to the annual assessment the association paid to the Division of Savings and Loan Associations under R.C. 1155.13, less the amount the association paid in supervisory fees during the taxable year to the Federal Savings and Loan Insurance Corporation (or the amount it would have paid if insured).

Taxes paid by a qualifying pass-through entity (R.C. 5733.04(I)(14), 5733.0611)

A corporation that is a qualifying investor in a qualifying pass-through entity can claim a nonrefundable credit equal to the corporation’s proportionate share of the tax paid by the qualifying pass-through entity. However, corporation claiming this credit must add to federal taxable income the amount claimed as a credit, to the extent that the amount claimed was not included in the corporation’s federal taxable income.

Special Provisions

Exit tax (R.C. 5733.06(H)).

Corporations ceasing business in Ohio may be subject to an “exit tax” on unreported Ohio net income recognized in the two calendar years prior to the tax year.

Ownership of pass-through entities (R.C. 5733.057).

Each franchise taxpayer must include in its adjusted qualifying amounts, allocable and apportionable income or loss, property, compensation, and sales, the taxpayer’s proportionate or distributive share of such items for any pass-through entity in which the taxpayer has a direct or indirect ownership interest.

Related members (R.C. 5733.042)

Intangible expenses and costs paid to certain related members are added to income.

Combining net incomes of corporations (R.C. 5733.052)

If more than half of a taxpayer’s capital stock with voting rights is owned or controlled directly or indirectly by another corporation or by a related interest, the Tax Commissioner may permit or require the combining of net income to calculate the tax base. A qualifying controlled group of taxpayers may elect to file a combined report if each has non-dividend income from Ohio sources. This election may not be changed by the taxpayer without the Tax Commissioner’s consent. (These combination provisions do not apply to the net worth base).

Transferee corporation subject to transferor's tax liability (R.C. 5733.053)

A transferee corporation in a tax-free reorganization is required to include in its income the income of the transferor if the transferor is not subject to the franchise tax.

Filing and Payment Dates

(R.C. 5733.02, 5733.021, 5733.022 and 5733.13)

Key filing and payment dates include:

- Jan. 31. If by Jan. 31 of the report year the corporation does not file the annual report and make full payment of the tax due, then by that date the corporation must file form FT 1120E and pay one-third of that estimated liability. If the estimated tax liability is the minimum fee, the corporation must make full payment by Jan. 31.
- March 31. By March 31 of the report year the corporation must either file its franchise tax report and pay the remaining tax due or file a request for extension (form FT 1120ER) and pay the second one-third of its estimated tax liability.
- May 31. By May 31 of the report year the corporation must either file the annual report and pay the remaining tax due or file a request for additional extension (form FT 1120EX) and pay the remaining one-third of its estimated tax liability. A corporation filing this extension must file its annual report and pay any remaining tax liability by the 15th day of the month following the extended due date for filing its federal corporation income tax return.

Interest

The interest rate on both underpayments and overpayments is based on the average federal short-term rate in effect in July of the previous year plus three percentage points.

EFT

Taxpayers are required to pay by electronic funds transfer (EFT) if, for the second preceding tax year, the taxpayer's total franchise tax liability after reduction for nonrefundable credits exceeded \$50,000. Taxpayers that are required to pay by EFT must register with the Treasurer of State.

Disposition of Revenue

(R.C. 4981.09, 5733.12, 5733.122)

In House Bill 119, the FY 2008-2009 biennium 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 franchise tax revenue was directed to the General Revenue Fund after deposits with the Attorney General Claims Fund and the Litter Control Tax Administration Fund. For details on the local government fund changes, see the Local Government Funds chapter.

Administration

The corporation franchise tax is administered by the Department of Taxation. Some tax credits and grants are administered by the Ohio Department of Development. Tax payments are payable to the Treasurer of State but are received by the Department of Taxation.

Ohio Revised Code Citations

Chapters 122, 1733, 4981, 5703, 5709, 5733, 5751 and 5915.

Recent Legislation

House Bill 1, 128th General Assembly (FY 2010-2011 biennium budget bill; budget provisions were effective July 17, 2009, other provisions have various effective dates).

Tax credits – The bill significantly restructured the job creation and job retention tax credits, made important changes to the historic building preservation and technology investment credits, and created a pair of new tax credits: a motion picture production tax credit and the new markets tax credit. For details, see the **Recent Legislation** section of the **Business Tax Credits** chapter.

House Bill 495, 128th General Assembly (Internal Revenue Code (I.R.C.) conformity)

– The bill amended the definition of "Internal Revenue Code as amended" found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from Oct. 16, 2009 (the effective date of H.B. 1's amendment to R.C. 5701.11) through Dec. 15, 2010 (the effective date of H.B. 495's amendment of R.C. 5701.11).

Table 1

Corporation Franchise Tax Collections, Fiscal Years 2006-2010			
Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
2006	\$1,309,521,936	\$203,658,836	\$1,105,863,100
2007	1,302,582,440	176,928,156	1,125,654,284
2008	963,244,229	208,611,265	754,632,965
2009	710,875,661	189,512,254	521,363,407
2010	367,982,261	225,664,540	142,317,721

Table 2

Corporation Franchise Tax Number of Corporations by Tax Base Tax Year 2009 Number of Corporations by Tax Base				
Industry	Minimum	Net Worth	Net Income	Total
Agriculture, Forestry, and Fishing	564	414	430	1,408
Mining	221	189	155	565
Utilities (excluding telecommunications)	108	69	44	221
Construction	4,049	2,503	1,528	8,080
Manufacturing	3,855	3,941	2,843	10,639
Wholesale Trade	2,364	2,062	1,696	6,122
Retail Trade	5,501	4,015	2,509	12,025
Transportation and Warehousing	1,704	799	592	3,095
Information (including telecommunications)	850	406	325	1,581
Finance & Insurance	2,422	1,080	961	4,463
Real Estate, and Rental & Leasing of Property	3,344	1,890	1,104	6,338
Professional, Scientific & Technical Service	3,912	1,453	1,498	6,863
Management of Companies (Holding Companies)	113	20	14	147
Administrative & Support Services, and Waste Management & Remediation Services	1,236	483	474	2,193
Education, Health Care and Social Assistance	3,827	1,391	1,204	6,422
Arts, Entertainment, and Recreation	266	98	85	449
Accommodation and Food Services	1,654	758	635	3,047
Other Services	1,730	1,065	749	3,544
Unclassified ¹	5,061	1,113	1,105	7,279
TOTAL	42,781	23,749	17,951	84,481

¹ Industry classification was not indicated by the taxpayer.

Chart

**Percentage of Corporations and Tax Liability by Tax Base:
Tax Year 2009**

(figures in millions)

Total Number of Corporations: 84,481
Total Reported Tax Liability, Before 60% Reduction Factor, Credits and Manufacturing Grants: \$1,409.1

Total Reported Tax Liability, After 80% Reduction Factor, Credits and Manufacturing Grants: \$259.4

(excludes litter tax)

(excludes financial institutions)

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. The liability amounts shown in the chart are prior to the 80% reduction in effect for tax year 2009, and prior to tax credits and manufacturing grants.

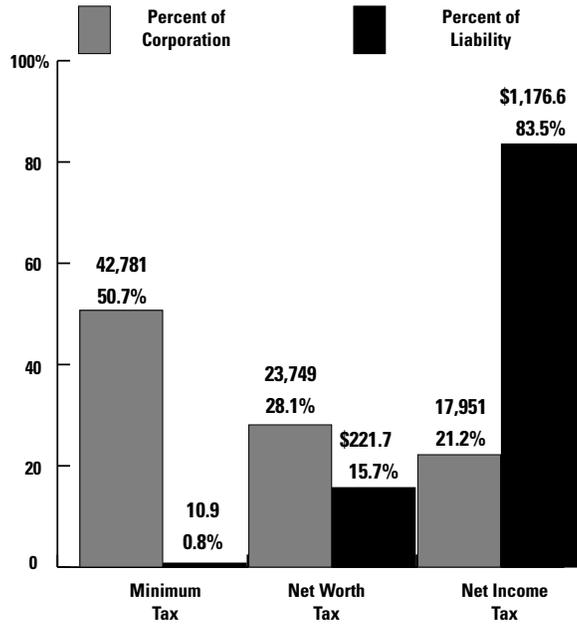


Table 3

Corporation Franchise Tax Number of Corporations by Tax Base and Tax Liability Class: Tax Year 2009					
Number of Corporations by Tax Base					
Tax Liability Class		Minimum	Net Worth	Net Income	Total
Minimum		42,781	--	--	42,781
\$51	- 1,000	--	11,493	5,297	16,790
1,001	- 2,000	--	3,538	2,603	6,141
2,001	- 3,000	--	1,815	1,486	3,301
3,001	- 4,000	--	1,075	778	1,853
4,001	- 5,000	--	763	624	1,387
5,001	- 10,000	--	1,662	1,793	3,455
10,001	- 15,000	--	715	913	1,628
15,001	- 20,000	--	457	626	1,083
20,001	- 25,000	--	277	448	725
25,001	- 30,000	--	196	313	509
30,001	- 35,000	--	186	246	432
35,001	- 50,000	--	336	552	888
50,001	- 100,000	--	476	833	1,309
100,001	- 200,000	--	760	578	1,338
200,001	- 500,000	--	--	494	494
500,001	- 1,000,000	--	--	172	172
Over	\$1,000,000	--	--	195	195
TOTAL		42,781	23,749	17,951	84,481

Table 4

**Corporation Franchise Tax
Reported Tax Liability by Tax Base and Industry:
Tax Year 2009**

NOTE: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 80% reduction in effect for tax year 2009.

	Tax Liability Before Litter Tax and Credits By Tax Base				Before 60% Reduction Factor Applicable to Most Taxpayers			After 80% Reduction Factor	
	Minimum	Net Worth	Net Income	Total	Litter Tax ¹	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits ²	Manufacturing Grant	Tax Liability After Tax Credits and Grant ²
Agriculture, Forestry, and Fishing	\$80,450	\$1,092,577	\$6,964,772	\$8,137,799	\$128,308	\$8,266,107	\$319	\$24,598	\$1,663,412
Mining	65,200	1,659,855	20,772,511	22,497,566	156,739	22,654,305	2,750	337,842	4,244,612
Utilities (excluding telecommunications)	46,250	2,242,086	77,360,659	79,648,995	95,666	79,744,661	6,617,496	2,098	14,659,722
Construction	909,250	9,991,206	26,569,345	37,469,801	807,806	38,277,607	182,510	88,121	8,208,398
Manufacturing	1,523,700	73,014,819	445,213,391	519,751,910	4,854,432	524,606,342	9,606,932	5,644,891	85,466,945
Wholesale Trade	843,050	16,945,237	109,025,911	126,814,198	1,699,071	128,513,269	238,202	1,092,311	24,955,570
Retail Trade	1,470,150	33,000,366	138,255,642	172,726,158	2,138,428	174,864,586	952,971	244,442	34,676,017
Transportation and Warehousing	568,750	6,491,316	30,372,242	37,432,308	459,534	37,891,842	194,684	33,373	7,941,152
Information (including telecommunications)	328,450	9,852,751	71,060,595	81,241,796	577,609	81,819,405	263,693	119,243	16,431,025
Finance & Insurance	654,050	11,244,994	27,165,245	39,064,289	580,051	39,644,340	1,622,941	34,374	9,125,682
Real Estate, and Rental & Leasing of Property	579,500	11,694,562	17,117,959	29,392,021	611,102	30,003,123	241,147	29,151	6,905,062
Professional, Scientific & Technical Services	1,027,800	13,014,200	106,251,107	120,293,107	996,239	121,289,346	645,373	98,851	17,974,471
Management of Companies (Holding Companies)	18,950	791,776	6,003,804	6,814,530	32,672	6,847,202	0	2,861	1,468,288
Administrative & Support Services, and Waste Management & Remediation Services	331,600	3,199,525	16,858,713	20,389,838	309,852	20,699,690	0	1,715	3,851,638
Education, Health Care and Social Assistance	722,400	6,640,145	28,046,831	35,409,376	555,452	35,964,828	253,522	39,743	7,442,557
Arts, Entertainment, and Recreation	67,450	776,354	1,278,520	2,122,324	43,213	2,165,537	0	10,461	479,191
Accommodation and Food Services	324,950	4,705,449	16,259,223	21,289,622	360,280	21,649,902	150,910	34,479	4,457,569
Other Services	295,500	3,875,704	12,692,443	16,863,647	293,515	17,157,162	334,103	18,724	3,320,589
Unclassified ³	1,073,850	11,456,178	19,306,102	31,836,130	665,518	32,501,648	1,000,916	240,458	6,205,588
TOTAL	\$10,931,300	\$221,689,100	\$1,176,575,015	\$1,409,195,415	\$15,365,487	\$1,424,560,902	\$22,308,469	\$8,097,737	\$259,477,487

¹ Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

² Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

³ Industry classification was not indicated by the taxpayer.

Table 5

**Corporation Franchise Tax
Reported Tax Liability by Tax Base and Tax Liability Class:
Tax Year 2009**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 80% reduction in effect for tax year 2009.

Tax Liability Class	Before 60% Reduction Factor Applicable to Most Taxpayers					After 80% Reduction Factor			
	Minimum	Net Worth	Net Income	Total	Litter Tax ¹	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits ²	Manufacturing Grant	Tax Liability After Tax Credits and Grant ²
Minimum	\$10,931,300	--	--	\$10,931,300	--	\$10,931,300	\$3,019,223	--	\$7,896,079
\$51 - 1,000	--	\$4,090,592	\$2,115,542	6,206,134	\$195,715	6,401,849	14,655	\$3,110	1,461,811
1,001 - 2,000	--	5,088,434	3,813,513	8,901,947	256,282	9,158,229	15,243	12,895	1,844,177
2,001 - 3,000	--	4,463,331	3,574,101	8,037,432	226,086	8,263,518	314,222	14,185	1,334,125
3,001 - 4,000	--	3,721,474	2,697,109	6,418,583	186,414	6,604,997	24,296	16,925	1,306,389
4,001 - 5,000	--	3,396,721	2,799,167	6,195,888	181,260	6,377,148	1,200	18,792	1,257,804
5,001 - 10,000	--	11,786,883	12,779,407	24,566,290	698,265	25,264,555	196,682	96,969	4,874,862
10,001 - 15,000	--	8,768,530	11,257,420	20,025,950	576,870	20,602,820	113,949	104,662	4,038,588
15,001 - 20,000	--	7,924,424	10,880,409	18,804,833	522,731	19,327,564	203,370	71,893	3,755,141
20,001 - 25,000	--	6,184,938	10,014,708	16,199,646	451,730	16,651,376	373,399	82,377	3,120,858
25,001 - 30,000	--	5,357,961	8,591,611	13,949,572	378,105	14,327,677	199,109	115,589	2,640,007
30,001 - 35,000	--	6,052,536	7,981,772	14,034,308	370,517	14,404,825	532,918	86,987	2,362,543
35,001 - 50,000	--	14,204,308	23,110,747	37,315,055	981,436	38,296,491	409,989	187,144	7,350,547
50,001 - 100,000	--	33,199,731	58,690,040	91,889,771	2,373,271	94,263,042	851,579	648,659	18,242,769
100,001 - 200,000	--	107,449,237	81,338,065	188,787,302	4,410,138	193,197,440	7,305,141	2,182,278	31,654,386
200,001 - 500,000	--	--	152,030,844	152,030,844	2,039,935	154,070,779	521,430	1,594,084	28,758,654
500,001 - 1,000,000	--	--	119,450,864	119,450,864	765,831	120,216,695	143,425	914,665	22,909,959
Over \$1,000,000	--	--	665,449,696	665,449,696	750,901	666,200,597	8,068,639	1,946,554	114,668,789
TOTAL	\$10,931,300	\$221,669,100	\$1,176,575,015	\$1,409,195,415	\$15,365,487	\$1,424,560,902	\$22,308,469	\$8,097,737	\$259,477,487

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

Table 6

Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Industry: Tax Year 2009				
Number of Corporations by Tax Base				
Industry	Minimum	Net Worth	Income	Total
Food	212	196	176	584
Tobacco Manufactures	2	2	6	10
Apparel and Other Textiles	68	55	34	157
Lumber and Wood Products	115	120	54	289
Paper	72	101	32	205
Printing and Publishing	201	185	108	494
Chemicals	312	289	229	830
Petroleum and Coal	29	48	43	120
Rubber and Plastics	233	276	161	670
Leather Products	7	16	6	29
Stone, Clay & Glass Products	115	146	70	331
Primary Metal	162	149	130	441
Fabricated Metal	724	896	630	2,250
Machinery (non-electrical)	448	379	305	1,132
Electrical Machinery	357	332	278	967
Transportation Equipment	163	153	120	436
Miscellaneous Manufacturing	635	598	461	1,694
TOTAL	3,855	3,941	2,843	10,639

Table 7

Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Tax Liability Class: Tax Year 2009				
Number of Corporations by Tax Base				
Tax Liability Class	Minimum	Net Worth	Net Income	Total
Minimum	3,855	--	--	3,855
\$51 - 1,000	--	1,136	384	1,520
1,001 - 2,000	--	584	292	876
2,001 - 3,000	--	342	194	536
3,001 - 4,000	--	232	109	341
4,001 - 5,000	--	159	100	259
5,001 - 10,000	--	421	300	721
10,001 - 15,000	--	185	209	394
15,001 - 20,000	--	114	139	253
20,001 - 25,000	--	92	98	190
25,001 - 30,000	--	70	65	135
30,001 - 35,000	--	58	67	125
35,001 - 50,000	--	105	159	264
50,001 - 100,000	--	148	247	395
100,001 - 200,000	--	295	158	453
200,001 - 500,000	--	--	180	180
500,001 - 1,000,000	--	--	59	59
Over \$1,000,000	--	--	83	83
TOTAL	3,855	3,941	2,843	10,639

Table 8

**Corporation Franchise Tax
Reported Tax Liability for Manufacturing Corporations:
by Tax Base and Industry Classification:
Tax Year 2009**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 80% reduction in effect for tax year 2009.

Before 60% Reduction Factor Applicable to Most Taxpayers

After 80% Reduction Factor

Industry	Tax Liability Before Litter Tax and Credits, By Tax Base			Total Non-Refundable Tax Credits ²			Total Liability Before Credits and Grant			Tax Liability After Tax Credits and Grant ²		
	Minimum	Net Worth	Income	Total	Litter Tax ¹	Total Liability Before Credits and Grant	Total Non-Refundable Tax Credits ²	Manufacturing Grant	Total Liability After Tax Credits and Grant ²	Manufacturing Grant	Total Liability After Tax Credits and Grant ²	
Food	\$100,850	\$4,371,892	\$30,705,632	\$35,178,374	\$414,845	\$35,593,219	\$668,953	\$1,059,283	\$5,626,863		\$5,626,863	
Tobacco Manufacturers	1,050	1,796	12,121,778	12,124,624	27,535	12,152,159	0	9,856	2,422,187		2,422,187	
Apparel and Other Textiles	31,900	458,091	1,363,347	1,853,338	36,205	1,889,543	0	1,567	376,315		376,315	
Lumber and Wood Products	39,950	1,003,200	5,781,342	6,824,492	53,167	6,877,659	668	168,241	1,239,624		1,239,624	
Paper	29,250	2,383,363	3,014,791	5,427,404	97,897	5,525,301	379,717	175,542	570,415		570,415	
Printing and Publishing	50,900	1,513,995	4,844,203	6,409,098	106,056	6,515,154	20,424	129,102	1,180,783		1,180,783	
Chemicals	150,500	10,503,125	147,278,683	157,932,308	692,462	158,624,770	997,521	388,044	30,489,084		30,489,084	
Petroleum and Coal	12,850	1,949,111	11,359,945	13,321,906	115,651	13,437,557	0	265,726	2,434,971		2,434,971	
Rubber and Plastics	102,850	5,482,652	8,814,489	14,399,991	313,019	14,713,010	62,556	306,447	2,664,866		2,664,866	
Leather Products	2,250	434,493	104,889	541,632	16,387	558,019	0	0	113,375		113,375	
Stone, Clay & Glass Products	41,850	3,300,643	3,104,972	6,447,465	142,132	6,589,597	558,423	118,487	674,126		674,126	
Primary Metal	66,050	4,000,163	36,580,635	40,646,848	277,555	40,924,403	4,000,906	500,970	3,736,243		3,736,243	
Fabricated Metal	206,250	8,322,447	48,401,616	56,930,313	698,172	57,628,485	1,181,857	620,935	9,927,202		9,927,202	
Machinery (non-electrical)	207,650	4,770,582	21,181,327	26,159,559	410,061	26,569,620	393,102	245,389	4,826,000		4,826,000	
Electrical Machinery	165,100	8,165,098	59,164,693	67,494,891	477,729	67,972,620	257,530	211,801	7,438,407		7,438,407	
Transportation Equipment	75,600	6,010,738	18,668,778	24,755,116	359,525	25,114,641	805,294	1,136,227	3,225,509		3,225,509	
Miscellaneous Manufacturing	238,850	10,343,430	32,722,271	43,304,551	616,034	43,920,585	279,981	307,277	8,520,975		8,520,975	
TOTAL	\$1,523,700	\$73,014,819	\$445,213,391	\$519,751,910	\$4,854,432	\$524,606,342	\$9,606,932	\$5,644,891	\$85,466,945		\$85,466,945	

1 Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

Table 9

**Corporation Franchise Tax
Reported Tax Liability for Manufacturing Corporations,
by Tax Base and Tax Liability Class:
Tax Year 2009**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 80% reduction in effect for tax year 2009.

Before 60% Reduction Factor Applicable to Most Taxpayers

After 60% Reduction Factor

Tax Liability Before Litter Tax and Credits, By Tax Base

Tax Liability Class	Tax Liability Before Litter Tax and Credits, By Tax Base		Net Income	Total	Litter Tax ¹	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits ²	After 60% Reduction Factor	
	Minimum	Net Worth						Manufacturing Grant	Tax Liability After Tax Credits and Grant ²
Minimum (\$50 or \$1,000)	\$1,523,700	--	--	\$1,523,700	--	\$1,523,700	\$860,255	--	\$660,103
\$51 - \$1,000	--	\$466,277	\$156,335	622,612	\$21,546	644,158	2,274	\$2,391	141,475
1,001 - 2,000	--	854,953	436,148	1,291,101	38,610	1,329,711	1,686	9,734	283,695
2,001 - 3,000	--	844,627	468,016	1,312,643	38,492	1,351,135	303,383	11,470	-40,280
3,001 - 4,000	--	808,298	374,871	1,183,169	35,420	1,218,589	4,057	12,544	230,474
4,001 - 5,000	--	706,691	447,575	1,154,266	33,799	1,188,065	1,200	12,547	223,113
5,001 - 10,000	--	3,009,561	2,136,315	5,145,876	151,574	5,297,450	133,160	69,919	867,671
10,001 - 15,000	--	2,292,323	2,584,368	4,876,691	149,088	5,025,779	35,161	74,342	948,426
15,001 - 20,000	--	1,985,956	2,430,436	4,416,392	126,586	4,542,978	57,554	41,807	858,221
20,001 - 25,000	--	2,047,645	2,208,471	4,256,116	116,388	4,372,504	145,933	53,215	778,127
25,001 - 30,000	--	1,903,780	1,796,216	3,699,996	112,937	3,812,933	42,202	83,547	670,599
30,001 - 35,000	--	1,878,958	2,163,655	4,042,613	111,082	4,153,695	290,328	55,793	499,066
35,001 - 50,000	--	4,454,856	6,661,076	11,115,932	303,278	11,419,210	213,839	139,330	1,927,540
50,001 - 100,000	--	10,318,538	17,648,913	27,967,451	753,590	28,721,041	284,905	379,301	5,070,184
100,001 - 200,000	--	41,442,356	22,414,533	63,856,889	1,563,720	65,420,609	5,248,932	1,612,825	6,585,117
200,001 - 500,000	--	--	55,495,758	55,495,758	697,997	56,193,755	446,914	1,250,611	9,432,319
500,001 - 1,000,000	--	--	41,351,557	41,351,557	263,298	41,614,855	21,551	771,338	7,530,082
Over \$1,000,000	--	--	286,439,148	286,439,148	337,027	286,776,175	1,513,598	1,064,178	48,801,013
TOTAL	\$1,523,700	\$73,014,819	\$445,213,391	\$519,751,910	\$4,854,432	\$524,606,342	\$9,606,932	\$5,644,891	\$85,466,945

¹ Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

² Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

Table 10

Tax Liability Class	Corporation Franchise Tax Number of Financial Institutions and Reported Tax Liability, by Type of Institution: Tax Year 2009										Tax Liability Before Credits By Type				Refundable & Nonrefundable Tax Credits
	Number of Corporations By Type				Number of Financial Institutions and Reported Tax Liability, by Type of Institution: Tax Year 2009						Tax Liability Before Credits By Type				
	Banks	Savings & Loans	Other ¹	Total	Banks	Savings & Loans	Other ¹	Total	Banks	Savings & Loans	Other ¹	Total			
Minimum(\$50 or \$1000)	28	4	20	52	\$18,200	\$100	\$7,550	\$25,850	\$4,109,194						
\$51 - 1,000	2	0	1	3	343	0	244	587	0				0		
1,001 - 2,000	4	1	0	5	6,734	1,111	0	7,845	0				0		
2,001 - 3,000	1	1	1	3	2,159	2,495	2,295	6,949	0				0		
3,001 - 4,000	5	0	2	7	16,923	0	7,239	24,162	0				0		
4,001 - 5,000	2	0	1	3	8,812	0	4,302	13,114	0				0		
5,001 - 10,000	3	2	1	6	26,883	13,685	7,574	48,142	10,598						
10,001 - 15,000	7	3	0	10	85,391	34,623	0	120,014	0				0		
15,001 - 20,000	3	1	1	5	55,151	15,018	17,754	87,923	0				0		
20,001 - 25,000	13	0	1	14	301,827	0	21,354	323,181	2,945						
25,001 - 30,000	2	2	1	5	56,919	58,413	25,802	141,134	0				0		
30,001 - 35,000	0	2	1	3	0	62,667	31,252	93,919	3,149						
35,001 - 50,000	10	5	1	16	431,160	224,111	41,655	696,926	24,903						
50,001 - 100,000	44	16	0	60	3,239,447	1,203,462	0	4,442,909	96,731						
100,001 - 200,000	47	24	3	74	6,463,356	3,472,926	455,236	10,391,518	289,849						
200,001 - 500,000	54	19	0	73	16,381,437	6,478,370	0	22,859,807	575,490						
500,001 - 1,000,000	19	6	1	26	12,875,622	4,066,032	718,987	17,660,641	650,748						
Over \$1,000,000	15	6	0	21	86,454,993	12,807,937	0	99,262,930	2,294,780						
TOTAL	259	92	35	386	\$126,425,357	\$28,440,950	\$1,341,244	\$156,207,551	\$8,058,387						

¹ Primarily credit agencies that accept deposits.



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 2010 calendar year, tax assessments on dealers in intangibles resulted in collections of approximately \$21.5 million, with approximately \$13.4 million distributed to local governments and \$8.1 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 2010, qualifying dealers generated an additional \$18.9 million for the General Revenue Fund.

Taxpayer

(Ohio Revised Code 5725.01)

The tax is paid by 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)

The tax base for dealers in intangibles is:

- shares of stock of incorporated dealers in intangibles and unincorporated dealers in intangibles with capital stock divided into shares; and
- capital employed in Ohio by unincorporated dealers in intangibles with capital stock not divided into shares.

In order to be considered a dealer in intangibles, a person must have an actual place of business in Ohio. 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 tax rate on fair value of shares or capital employed is 8 mills, or 0.8 percent.

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. 5707.031, 5725.151)

Dealers in intangibles are eligible for the venture capital credit, awarded by the Ohio Venture Capital Authority. Beginning in tax year 2008, dealers in intangibles also became eligible for the historic preservation credit, awarded by the Ohio Department of Development.

For more information on these credits, see the **Business Tax Credits** chapter of this report.

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-subsidary 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.

Table 1

Dealers in Intangibles Taxes Levied, Calendar Years 2006-2010					
Distribution	2006	2007	2008	2009	2010
Qualifying dealers:	\$11,125,886	\$12,499,308	\$15,127,427	\$17,203,287	\$18,859,633
Other Dealers:					
State Share	\$7,256,993	\$7,263,155	\$6,947,952	\$7,361,369	\$8,063,613
Local Share	\$12,094,989	\$12,105,259	\$11,579,920	\$12,268,949	\$13,437,874
TOTAL	\$30,477,868	\$31,867,722	\$33,655,299	\$36,833,605	\$40,361,120

Table 2

County Share of Intangible Property Taxes Assessed on Dealers in Intangibles, Calendar Year 2010			
County	County Share of Assessed Taxes	County	County Share of Assessed Taxes
ADAMS	\$1,587	LORAIN	92,404
ALLEN	59,205	LUCAS	538,157
ASHLAND	2,177	MADISON	3,601
ASHTABULA	18,493	MAHONING	257,610
ATHENS	29,733	MARION	33,556
AUGLAIZE	12,788	MEDINA	147,016
BELMONT	11,047	MEIGS	1,634
BROWN	3,139	MERCER	6,843
BUTLER	50,413	MIAMI	27,631
CARROLL	14	MONROE	7,578
CHAMPAIGN	5,687	MONTGOMERY	830,659
CLARK	23,588	MORGAN	0
CLERMONT	18,260	MORROW	359
CLINTON	3,272	MUSKINGUM	38,514
COLUMBIANA	19,532	NOBLE	12
COSHOCTON	10,849	OTTAWA	3,418
CRAWFORD	4,228	PAULDING	585
CUYAHOGA	4,453,212	PERRY	1,445
DARKE	8,392	PICKAWAY	20,951
DEFIANCE	45,241	PIKE	2,866
DELAWARE	122,473	PORTAGE	\$20,562
ERIE	33,041	PREBLE	5,079
FAIRFIELD	42,830	PUTNAM	1,507
FAYETTE	7,500	RICHLAND	46,002
FRANKLIN	1,974,953	ROSS	22,819
FULTON	1,284	SANDUSKY	12,001
GALLIA	64,203	SCIOTO	18,139
GEAUGA	6,802	SENECA	8,005
GREENE	99,829	SHELBY	15,532
GUERNSEY	16,139	STARK	325,924
HAMILTON	2,114,422	SUMMIT	872,544
HANCOCK	39,904	TRUMBULL	43,212
HARDIN	6,425	TUSCARAWAS	49,460
HARRISON	0	UNION	7,585
HENRY	\$3,836	VAN WERT	7,267
HIGHLAND	4,119	VINTON	0
HOCKING	2,303	WARREN	241,202
HOLMES	530	WASHINGTON	23,600
HURON	5,837	WAYNE	24,577
JACKSON	3,464	WILLIAMS	2,786
JEFFERSON	13,029	WOOD	71,959
KNOX	13,193	WYANDOT	1,403
LAKE	184,249		
LAWRENCE	16,847		
LICKING	27,912		
LOGAN	15,888		
		Total Local Revenue	\$13,437,874
		(5 mills)	
		State General	
		Revenue (3 mills)¹	\$8,063,613
		TOTAL	\$21,501,487

¹ Does not include \$18,859,633 in taxes levied on qualifying dealers in intangibles.



Estate Tax

The Ohio estate tax was enacted in 1968 to replace a state inheritance tax, but its roots can be traced back to 1893, when the Ohio General Assembly first enacted an inheritance tax during the McKinley administration.

Under current law, the estates of residents with a net taxable value of \$338,333 or less are effectively exempt from the Ohio estate tax through a \$13,900 credit. A 6 percent tax rate applies to any net taxable value above that mark, up to \$500,000. A 7 percent rate applies to any net taxable value over \$500,000.

Ohio's estate tax generated \$285.8 million in revenue for fiscal year 2010. Most of the revenue – about \$230.8 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.

Taxpayer

The tax is paid by the administrator, executor, or other estate representative in possession of the property subject to tax.

Resident estates

The net taxable estate is the value of a decedent's gross estate, less deductions. In general, the gross estate equals the aggregate market value at time of death (or on the alternate valuation date; see Special Provisions) of all property, wherever situated, held by the decedent. Excepted are real and tangible personal property situated outside of Ohio, and "qualified farm property," which may be valued according to its actual "qualified use."

The "net taxable estate" equals the gross estate less the following deductions:

- marital deduction, where there is a surviving spouse;
- funeral expenses and costs of administering the estate;
- outstanding and unpaid claims against the estate at time of the decedent's death;
- unpaid mortgage or other indebtedness against property where the value of that property is included in the gross estate valuation; and
- charitable contributions.

Nonresident estates

The base of the nonresident estate tax is real and tangible personal property located or having a situs in Ohio, and intangible personal property used in business within Ohio unless exempt pursuant to R.C. 5731.34.

Tax on nonresident estates is determined by:

- calculating tax which would be due from the estate, at a rate applicable to resident estates, if the decedent had died a resident of Ohio with all property situated or located in Ohio; and

multiplying the resulting amount by a fraction representing the ratio of gross estate value attributable in Ohio to gross estate value wherever situated.

Estate Tax Rates and Credit

(Ohio Revised Code 5731.02)

Rates are tiered in the brackets shown below. Estates with a net taxable value of \$338,333 or less are effectively exempt from the tax because of the availability of a nonrefundable estate credit of up to \$13,900. The effect of this credit, which applies to dates of death on or after Jan. 1, 2002, is also shown in the table below.

Net taxable estate	Tax before credit	Tax after credit
\$0 to \$40,000	2% of the net taxable estate	No tax
\$40,001 to \$100,000	\$800 plus 3% of excess over \$40,000	No tax
\$100,001 to \$200,000	\$2,600 plus 4% of excess over \$100,000	No tax
\$200,001 to \$300,000	\$6,600 plus 5% of excess over \$200,000	No tax
\$300,001 to \$500,000	\$11,600 plus 6% of excess over \$300,000	6% of excess over \$338,333
Over \$500,000	\$23,600 plus 7% of excess over \$500,000	\$9,700 plus 7% of excess over \$500,000

Filing Requirements

(R.C. 5731.21)

For dates of death on or after Jan. 1, 2002, estates with gross values over \$338,333 are required to file an estate tax return.

Deductions and credits

Marital deduction

A marital deduction is allowed in an amount equal to the net value of any asset passing from the decedent to the surviving spouse to the extent that the asset is included in the value of the gross estate (R.C. 5731.15).

Other deductions

Other expenses that may be deducted from a gross estate in order to arrive at a "net taxable estate" include funeral expenses and costs of administering the estate; outstanding

and unpaid claims against the estate at time of the decedent's death; unpaid mortgage or other indebtedness against property where the value of that property is included in the gross estate valuation; and charitable contributions.

Special Provisions

Alternate valuation date

An alternate valuation date (R.C. 5731.01) may be elected. The alternate valuation date is the date six months after the decedent's death, or, in the case of the property's earlier disposition, on such dates of disposition. Alternate valuations must be elected within one year of the deadline for filing the return.

Farm property valuation

A qualified farm property valuation and recapture provision (R.C. 5731.011) applies to some estates. Under certain conditions, an estate may elect to have farm property that passes to a qualified heir valued at its agricultural use value. A prospective supplemental tax lien remains on the property for four years when this election is used. The lien is equal to the tax savings realized due to the election and becomes effective if the farm property is disposed of (other than to another qualified heir), or ceases to be devoted exclusively to agricultural use within the four-year limitation.

Filing and Payment Dates

Tax returns are to be filed within nine months of the decedent's death with the probate court of the county in which the estate is administered, unless an extension is granted. However, an automatic six-month extension is granted to all estates (R.C. 5731.21).

Tax payments are due within nine months of the decedent's death, regardless of any extension of time to file, to the treasurer of the county in which the decedent resided (R.C. 5731.23).

Under certain conditions, an extension of time to pay Ohio estate tax because of undue hardship (R.C. 5731.25) applies. An estate may receive an extension of the time to pay the estate tax, not to exceed one year beyond the time the tax

would otherwise be due, if conditions exist as defined in R.C. 5731.25. In the case of continuing undue hardship, the estate may apply for additional extensions. The total of all extensions granted may not exceed 14 years.

Disposition of Revenue

(R.C. 5731.48-5731.51)

For estates with dates of death on or after Jan. 1, 2002, 80 percent of gross estate tax revenues is distributed to the municipal corporations or townships in which the tax originates and 20 percent, less costs of administration, is distributed to the state General Revenue Fund.

For dates of death on or after June 29, 2004, local governments share in the costs of administering the estate tax in an 80/20 split that matches the disposition of revenue.

In general, for revenue distribution purposes, the tax on the transfer of real and tangible personal property located within Ohio originates in the municipal corporation(s) or township(s) in which such property is physically located. In the case of a resident decedent's intangible or tangible personal property located outside of Ohio, the domicile of the decedent is determinative. In the case of intangibles of a nonresident decedent, origin is derived from Ohio domicile, location or place of business or custody of the person, bank, institution, or other entity having such property in possession or custody.

Administration

(R.C. 5731.44, 5731.45, 5731.46)

The Tax Commissioner is responsible for administration of the estate tax. The tax is collected locally by the treasurer of the county in which the decedent was a resident.

Ohio Revised Code Citations

Chapter 5731.

Table 1

Estate Tax Collections and Distributions, Fiscal Years 2006 - 2010 (figures in millions)			
State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent the total tax collected from estates as recorded in each year's two semi-annual settlements, net of the state's share of those collections. Local government figures also include county auditor and treasurer administrative fees. Effective Jan. 1, 2002, the state share is 20% and the local share is 80%.			
Fiscal Year	Total Collections	State General Revenue	Local Governments
2006	\$272.7	\$54.1	\$218.6
2007	359.4	72.1	287.3
2008	317.1	61.4	255.7
2009	333.8	64.4	269.4
2010	285.8	55.0	230.8

Table 2

Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets, Fiscal Year 2010 (resident estates only)				
The data shown in this table is summarized from returns finalized by the Estate Tax Division in fiscal year 2010. This data differs from Table 3 due to 13 estates, which have a combined tax liability of \$344,101. Such estates were not included in the dataset used to produce Table 3.				
Net Taxable Value	Number of Estates	Aggregate Gross Value	Aggregate Net Taxable Value	Aggregate Tax Liability
\$338,333 and under	63	\$8,285,539	\$7,419,325	\$182,739
338,334 - 400,000	1,085	594,216,216	398,660,532	2,016,432
400,001 - 500,000	1,353	733,115,538	607,152,796	9,057,068
500,001 - 700,000	1,788	1,205,811,985	1,056,212,955	28,830,007
700,001 - 1,000,000	1,375	1,351,978,383	1,147,504,754	45,578,033
1,000,001 - 3,000,000	1,537	3,033,086,401	2,364,465,222	126,673,966
3,000,001 and over	243	2,331,826,090	1,971,333,960	131,872,277
Total	7,444	\$9,258,320,151	\$7,552,749,544	\$344,210,522

Table 3

**Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability,
by County of Probate,
Fiscal Year 2010**
(resident estates only)

The data shown in this table is summarized from returns finalized by the Estate Tax Division in fiscal year 2010. This data differs from Table 2 due to 13 estates, which have a combined tax liability of \$344,101. Such estates were not included in the dataset used to produce this table.

County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability	County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
ADAMS	9	\$10,778,740	\$10,035,247	\$477,827	LOGAN	23	\$25,250,468	\$17,244,063	\$632,280
ALLEN	79	82,567,824	71,949,535	3,060,476	LORAIN	168	168,871,827	148,116,013	6,229,975
ASHLAND	36	30,570,639	27,721,583	1,038,181	LUCAS	322	335,801,309	263,218,396	10,429,459
ASHTABULA	54	62,781,035	57,935,573	2,743,908	MADISON	28	32,146,824	26,956,524	1,185,621
ATHENS	27	26,680,363	24,261,635	1,023,204	MAHONING	161	156,914,084	137,754,350	5,656,945
AUGLAIZE	37	35,460,534	30,759,799	1,229,549	MARION	39	29,200,619	26,495,985	881,654
BELMONT	32	27,425,706	22,034,335	742,456	MEDINA	100	99,814,108	88,953,034	3,730,333
BROWN	18	19,781,784	18,921,180	889,911	MEIGS	6	13,244,915	11,388,333	646,488
BUTLER	170	213,447,674	174,121,540	7,987,267	MERCER	32	30,449,452	28,144,760	1,171,459
CARROLL	10	8,204,284	7,265,659	258,043	MIAMI	60	48,288,264	38,788,584	1,253,728
CHAMPAIGN	22	17,328,207	16,064,692	575,231	MONROE	10	6,536,707	6,328,285	194,958
CLARK	64	59,974,240	54,260,177	2,222,966	MONTGOMERY	384	662,493,815	543,581,203	28,496,373
CLERMONT	72	72,967,199	63,233,761	2,641,180	MORGAN	6	4,218,613	4,088,909	136,598
CLINTON	25	24,484,301	22,304,610	937,192	MORROW	7	6,595,427	6,397,601	272,044
COLUMBIANA	47	43,440,771	35,995,770	1,349,157	MUSKINGUM	47	38,708,963	34,538,724	1,273,180
COSHOCTON	22	30,633,329	28,282,012	1,432,667	NOBLE	4	7,365,486	6,938,068	385,230
CRAWFORD	37	31,096,560	26,672,013	941,413	OTTAWA	52	86,279,089	67,807,913	3,443,063
CUYAHOGA	982	1,400,597,784	1,111,098,129	53,429,266	PAULDING	18	14,600,542	13,771,575	514,373
DARKE	49	40,194,329	33,925,663	1,152,259	PERRY	12	14,880,695	9,338,239	393,412
DEFIANCE	28	25,808,429	22,578,610	894,760	PICKAWAY	29	34,930,961	29,015,310	1,309,658
DELAWARE	70	98,883,237	53,335,886	2,002,169	PIKE	15	12,217,315	11,529,677	434,844
ERIE	69	72,539,850	63,935,691	2,752,596	PORTAGE	80	72,948,940	60,931,209	2,285,933
FAIRFIELD	84	103,777,318	91,632,646	4,334,842	PREBLE	24	23,449,706	19,377,013	752,448
FAYETTE	22	32,676,601	30,151,037	1,560,447	PUTNAM	26	18,423,512	16,608,661	514,658
FRANKLIN	654	876,046,399	651,076,133	29,302,668	RICHLAND	54	40,651,766	34,870,211	1,121,627
FULTON	47	50,736,490	43,823,341	1,893,086	ROSS	26	44,205,488	40,188,210	2,161,985
GALLIA	14	14,857,998	13,693,815	607,385	SANDUSKY	51	49,856,538	44,881,292	1,873,104
GEAUGA	70	91,013,834	78,534,413	3,754,787	SCIOTO	22	27,667,514	20,166,618	859,368
GREENE	108	100,942,141	84,375,020	3,286,485	SENECA	45	57,378,463	45,171,229	2,036,256
GUERNSEY	14	8,225,583	7,754,866	194,051	SHELBY	29	31,626,215	27,159,171	1,182,032
HAMILTON	805	1,402,936,163	1,093,203,459	56,456,637	STARK	240	216,321,718	193,848,797	7,683,692
HANCOCK	58	82,178,285	69,899,743	3,452,160	SUMMIT	353	417,863,675	338,109,348	14,896,198
HARDIN	18	18,072,884	15,386,702	626,593	TRUMBULL	103	89,200,013	73,449,539	2,628,016
HARRISON	7	4,886,742	4,613,161	147,064	TUSCARAWAS	55	56,731,737	53,528,104	2,371,583
HENRY	21	18,813,903	16,902,678	660,046	UNION	21	17,844,638	16,635,636	639,912
HIGHLAND	23	19,658,420	17,176,772	627,513	VAN WERT	34	34,341,821	28,136,570	1,137,413
HOCKING	12	10,827,089	10,362,758	425,518	VINTON	3	3,789,980	3,525,288	170,870
HOLMES	15	16,336,552	13,557,264	572,767	WARREN	84	87,929,967	71,156,891	2,889,077
HURON	44	34,823,246	30,293,144	1,018,798	WASHINGTON	41	52,348,469	45,305,419	2,145,958
JACKSON	13	14,958,988	14,551,172	691,333	WAYNE	79	70,468,441	61,086,836	2,335,737
JEFFERSON	28	38,252,426	36,785,693	1,879,608	WILLIAMS	40	33,957,942	28,964,758	1,037,617
KNOX	44	38,972,414	34,720,037	1,328,490	WOOD	98	146,114,616	128,456,509	6,536,164
LAKE	213	258,504,374	214,351,898	9,762,340	WYANDOT	20	24,904,452	23,005,254	1,121,756
LAWRENCE	13	18,106,344	17,472,358	937,043					
LICKING	94	109,732,279	83,427,144	3,512,004	TOTAL	7,431	\$9,247,818,388	\$7,545,396,464	\$343,866,421



Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2010, the tax generated close to \$8.2 million in revenue (on \$273.3 million in wagers) for horse racing development, the state Passport program for senior citizens, and for other purposes.

Ohio has taxed pari-mutuel wagering on horse racing since 1933. In 1981, the horse racing tax was expanded to include "exotic" wagering – meaning all bets made on placements other than win, place or show, such as daily doubles, quinellas, perfectas, and trifectas. An additional tax on pari-mutuel wagering is also levied for the for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

The Department of Taxation has administered the horse racing tax since 1953.

Taxpayer

(Ohio Revised Code 3769.08)

The tax is paid by holders of racing permits issued by the Ohio State Racing Commission.

Tax Base

(R.C. 3769.08, 3769.28, 3769.087)

The base of the tax includes the:

- amount wagered each day on all pari-mutuel racing.
- amount wagered each day on exotic bets.
- total amount wagered at each horse race meeting of a permit holder.

Rates

Pari-mutuel wagering tax (R.C. 3769.08)

The tax rates on daily pari-mutuel wagering rates are as follows:

Amount wagered daily	Rate
First \$200,000	1.0%
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

Exotic wagering tax (R.C. 3769.087)

In addition to the pari-mutuel wagering tax, a special tax of 3.5 percent applies to daily wagering on results other than win, place, and show. Such "exotic wagering" includes the daily double, perfecta, quinella, and trifecta, etc.

Additional pari-mutuel wagering tax (R.C. 3769.28)

The tax is levied as follows:

Total wagering per meet	Rate
Less than \$5 million	0.10%
\$5 million or more	0.15

Revenue from the additional pari-mutuel wagering tax is distributed to the municipal corporation or township in which racing takes place. It is intended to reimburse these areas for expenses incurred due to racing meets. The municipal corporations and townships receiving the money may reimburse an adjoining political subdivision which also had expenses because of racing meets. The maximum tax liability is \$15,000 from each horse racing meet.

Exemptions

(R.C. 3769.28)

Agricultural societies are not subject to the additional pari-mutuel wagering tax.

Credits

Capital improvement credit (R.C. 3769.08)

Some racing permit holders can qualify for a capital improvement credit. With the approval of the Racing Commission, permit holders making capital improvements, constructing new racing facilities, or reconstructing facilities damaged by fire or other cause that have a total cost of \$100,000 or more may reduce their tax liability by 0.75 percent of the amount wagered. For projects approved before March 29, 1988, the reduction continues for a period of 15 years on capital improvements and reconstruction and a period of 25 years on new race track construction, or until the total reduction in tax liability equals 70 percent of construction costs, whichever occurs first. For projects approved on or after March 29, 1988, the reduction is limited to ten years or 70 percent of costs.

Major capital improvement credit (R.C. 3769.20)

Large projects may qualify a racing permit holder for a major capital improvement credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of \$6 million or more can reduce their tax liability by 1 percent of the amount wagered for a period of ten years or until the cost of the project plus debt service is reached, whichever occurs first. If the reduction exceeds the tax on wagering, the abatement may be carried forward and applied against future tax liability. The tax reduction is in addition to the 0.75 percent capital improvement credit.

Special Provisions

Simulcasting (R.C. 3769.089)

Permit holders may, at their facilities, conduct televised simulcasts of horse races at other facilities in or outside of Ohio

and conduct taxable pari-mutuel wagering on these races.

Off-track betting (R.C. 3769.26)

Off-track betting on races simulcast at a satellite facility operated by a racing permit holder is also permitted in Ohio. Such wagers are taxable. Currently there is one such facility in operation in Sandusky.

Filing and Payment Dates

(R.C. 3769.08, 3769.28)

Each day of racing

Permit holder remits to the Tax Commissioner by the following day the pari-mutuel wagering and exotic wagering taxes collected.

Close of horse race meeting

Within ten days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

Disposition of Revenue

(R.C. 3769.08, 3769.087, 3769.26)

Each permit holder pays the Tax Commissioner a sum equal to the percentages of money wagered described above in **Rates**, reduced by any capital improvements deduction.

The Ohio Passport Fund – established to pay for home health care and other senior citizen services – receives 25 percent of all gross tax revenue from pari-mutuel and exotic wagering, plus all tax revenue from off-track betting parlors.

The Ohio State Racing Commission’s Operating Fund receives the final 0.5 point of the 3.5 percent tax on exotic wagering.

Other distributions are made by the Tax Commissioner as shown in the following table:

Recipient	Source of Receipts	Share of Receipts
Ohio Fairs Fund	Wagering on thoroughbred, harness and quarter horse races.	0.50 percent of total pari-mutuel wagering plus 8.3 percent of the base 3 percentage points of tax on exotic wagering.
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.46 percent ¹ on harness races.

Recipient	Source of Receipts	Share of Receipts
Ohio Standard-bred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

The revenue that remains from each racing day after distribution to the Ohio Passport Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in the table above, even after the exotic wagering revenue not allocated in the table is used to meet the targeted percentages of pari-mutuel wagering. In such cases, contributions to each fund are prorated on a proportional basis.

Administration

The Department of Taxation administers the taxes on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

Ohio Revised Code Citations

Sections 3769.08 and 3769.087.

¹ This percentage changes each year based on a calculation performed at the end of each calendar year.

Chart

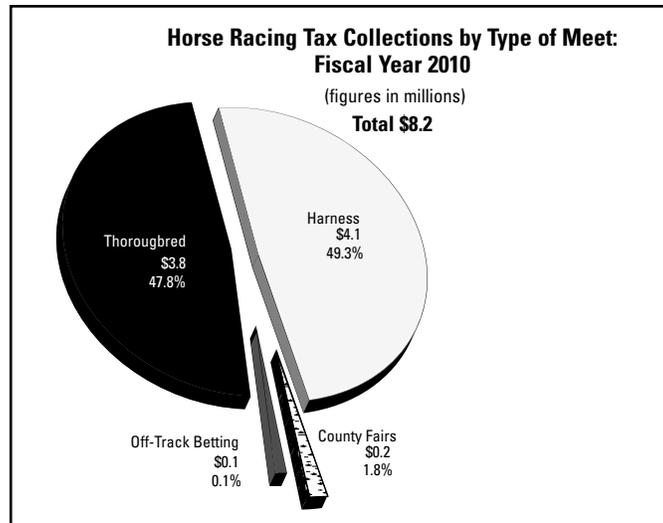


Table 1

Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2006 - 2010						
Pari-Mutuel Wagering						
Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
2006	\$236,417,769	\$200,116,137	\$4,983,661	\$296,592	\$5,962,237	\$447,776,396
2007	215,632,306	176,497,753	4,632,327	260,354	5,612,908	402,635,648
2008	187,046,366	155,672,065	4,474,105	227,002	4,947,766	352,367,304
2009	154,499,966	147,316,872	4,037,778	232,865	4,504,802	310,592,283
2010	132,406,059	133,543,929	3,639,715	111,778	3,554,640	273,256,121
Pari-Mutuel Wagering Net Tax Receipts						
2006	\$6,526,637	\$5,946,585	\$203,704	\$6,888	\$140,084	\$12,823,898
2007	6,325,354	5,609,985	196,167	6,708	128,237	12,266,451
2008	5,466,122	4,926,721	191,559	5,971	112,870	10,703,243
2009	4,496,668	4,636,720	171,524	6,045	103,887	9,414,844
2010	3,837,232	4,125,176	151,346	2,766	81,361	8,197,881

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2010						
	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
Number of Meets	892	1,232	139	9		2,272
Total Pari-Mutuel Wagering	\$132,406,059	\$133,543,929	\$3,639,715	\$111,778	\$3,554,640	\$273,256,121
Exotic Wagering ¹	91,513,845	96,143,735	2,200,563	70,754	\$2,798,834	\$192,727,731
Total Tax Levied	\$4,443,039	\$4,870,673	\$151,346	\$2,766	\$81,361	\$9,549,185
Less Tax Abatements:						
Capital Improvement		\$191,337				\$191,337
Major Capital	\$605,807	\$554,160				\$1,159,967
Net Tax Collected	\$3,837,232	\$4,125,176	\$151,346	\$2,766	\$81,361	\$8,197,881
Deferred Abatement ²	\$155,343.79	\$42,106				\$197,449
Distribution of Receipts:						
Agricultural	\$250	\$2,508	\$77,249	\$0		\$80,007
Standardbred Devel. Fund	0	1,087,940	28,048	0		1,115,988
Quarter Horse Special Acct.	17	0	0	616		633
Ohio Fairs Fund	605,808	566,511	23,701	518		1,196,538
Thoroughbred Special Acct.	1,168,492	405,267	342	0		1,574,101
Operating Fund	996,627	991,485	22,006	806		2,010,924
Passport Fund	1,066,038	1,071,465	0	826	\$81,361	2,219,690
Total Amount	\$3,837,232	\$4,125,176	\$151,346	\$2,766	\$81,361	\$8,197,881

¹ Included in total pari-mutuel wagering but subject to an additional 3% tax.

² Represents tax abatements accrued and postponed to a later date.



Individual Income Tax – Ohio

Ohio's individual income tax can be traced back to 1912, when voters approved a constitutional amendment specifically authorizing the General Assembly to levy such a tax. Legislative action did not follow until December 1971 when the tax was enacted effective Jan. 1, 1972 for individuals and estates. In 2002 the General Assembly expanded the income tax to include trusts.

The individual income tax is currently state government's largest source of revenue. During fiscal year 2010, total net collections exceeded \$7.9 billion. Of that amount, more than \$7.2 billion was directed to the General Revenue Fund, where it represented about 40.2 percent of general fund tax revenue.

Ohio's income tax rates have been gradually falling since 2005, when the 126th General Assembly enacted House Bill 66, scheduling five annual across-the-board income tax rate reductions of 4.2 percent each. Accordingly, for the 2009 taxable year, income tax rates were 16.8 percent lower than they had been for 2004, the year before H.B. 66 was enacted.

In 2009, state law was revised to temporarily postpone the fifth and final income tax rate reduction. As a result, the income tax rates used for 2008 will also apply to the 2009 and 2010 taxable years. The fifth and final rate reduction is now scheduled for taxable year 2011, when tax rates will be 21 percent lower across the board than they were for 2004. Withholding tables implemented in January 2009 remained in effect.

During the 2010 taxable year, the income tax included nine brackets ranging from 0.618 percent on the first \$5,000 of taxable income to 6.24 percent on taxable income in excess of \$200,000. Individual taxpayers whose Ohio taxable income is less than or equal to \$10,000 are effectively exempt from the tax since they receive a full credit against the tax otherwise due.

This chapter includes twelve tables presenting information compiled from 2008 Ohio individual income tax returns (filed in 2009). The data shows that more than 5.4 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately \$330.4 billion. Approximately 1.3 million returns indicated no tax liability.

Taxpayer

(Ohio Revised Code 5747.01(N))

The state individual income tax applies to every individual, trust and estate residing in Ohio, earning or receiving income in Ohio, or otherwise having nexus with Ohio. The tax also applies to winners of Ohio lottery prizes.

Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

Tax Base

(R.C. 5747.01)

The tax base is federal adjusted gross income (for individuals) or taxable income (for estates and trusts), plus or minus adjustments according to Ohio income tax law.

Calculating net liability for the tax can be condensed to four steps, as follows:

- Calculate Ohio **adjusted gross income** by applying Ohio additions and deductions to federal adjusted gross income as reported on the federal form 1040.
- Calculate **Ohio taxable income** by subtracting personal and dependent exemptions from Ohio adjusted gross income. For 2010, each taxpayer received a personal exemption, and an exemption for each dependent, of \$1,600.
- Apply tax rates to Ohio taxable income to calculate **gross tax liability**.
- Calculate **net tax liability** by subtracting credits and grants from gross tax liability.

Rates

(R.C. 5747.02)

The individual Ohio income tax rates for taxable year 2010 are shown below.

\$0 - \$5,050	6.18% of Ohio taxable income
\$5,050 - \$10,100	\$31.21, plus 1.236% of excess over \$5,050
\$10,100 - \$15,150	\$93.63, plus 2.473% of excess over \$10,100
\$15,150 - \$20,200	\$218.52, plus 3.091% of excess over 15,150
\$20,200 - \$40,350	\$374.62, plus 3.708% of excess over \$20,200
\$40,350 - \$80,700	\$1,121.78, plus 4.327% of excess over \$40,350
\$80,700 - \$100,900	\$2,867.72, plus 4.945% of excess over \$80,700
\$100,900 - \$201,800	\$3,866.61, plus 5.741% of excess over \$100,900
more than - \$201,800	\$9,659.28, plus 6.24% of excess over \$201,800

Beginning in 2010, the Tax Commissioner will annually adjust the size of each bracket for inflation each July, per R.C. 5747.02(A). Rates will not change as part of this adjustment. Division (B) of this same code section allows for rates to be temporarily adjusted downward in any year that the director of the Office of Budget and Management certifies that a surplus exists in the Ohio Budget Stabilization (or "Rainy Day") Fund.

Additions, Deductions and Exemptions

The starting point for the Ohio individual income tax is federal adjusted gross income (FAGI). Additions and deductions are applied to FAGI in order to arrive at Ohio adjusted gross income (OAGI).

Personal and dependent exemptions (R.C. 5747.025)

For 2010, a \$1,600 personal exemption was available for each taxpayer and for each dependent of the taxpayer. The amount of this exemption, which is subtracted from Ohio adjusted gross income before tax rates are applied, is adjusted annually based upon the gross domestic product deflator.

Major additions for individuals

Major additions for individuals, to the extent not already included in FAGI, include:

- non-Ohio state or local government interest and dividends.
- a pass-through entity add back.
- income from an electing small business trust.
- losses from the sale of Ohio public obligations.
- non-medical withdrawals from an Ohio Medical Savings Account.
- reimbursement of expenses previously deducted.
- non-education expenditures from a college savings account.
- add back of five-sixths of the depreciation adjustment for Internal Revenue Code sections 168(k) and 179.

Major deductions for individuals

Major deductions for individuals, to the extent not excluded from FAGI, include:

- certain federal interest and dividends.
- reciprocity income tax paid to other states; (for details, see **Special Provisions**).
- state or municipal income tax overpayments deducted on a prior year's federal income tax return.
- qualified disability and survivorship benefits.
- Social Security and some railroad retirement benefits.
- contributions to a college savings account administered by the Ohio Tuition Trust Authority.
- certain payments to members of the Ohio National Guard.
- unsubsidized health insurance, long-term care insurance, and excess medical expense deduction.
- funds deposited into, and earnings on, an Ohio Medical Savings Account.
- losses from a grantor trust or an electing small business trust.
- wage and salary expenses not deducted due to the federal targeted jobs or work opportunity tax credits.
- interest income from Ohio public and Ohio purchase obligations and gains from the sale or other disposition of Ohio public obligations.
- refund or reimbursement of a prior year federal itemized deduction.

- repayment of income reported in a prior year.
- amount contributed to an individual development account.
- one fifth of the depreciation added back in each of the previous five years.
- military pay received while the resident service member is stationed outside Ohio.
- qualified organ donation expenses.

For a complete listing and explanation of the adjustments to federal adjusted gross income, see form IT 1040, Ohio Income Tax Return and Instructions.

Adjustments to federal taxable income for estates and trusts

For a complete listing and explanation of the adjustments, see form IT 1041, Ohio Fiduciary Income Tax Return and Instructions.

Credits

Individual credits

All individual filers may claim a \$20 credit for each personal and dependent exemption claimed on their return. This credit is known as the personal and dependent exemption credit (R.C. 5747.022).

A number of other credits are also available. They include, in alphabetical order:

Adoption credit (R.C. 5747.37) – Individual taxpayers may claim a credit for adoption expenses up to a maximum of \$1,500 per child. Adoption of stepchildren does not qualify for this credit.

Child and dependent care credit (R.C. 5747.054) – Individual and estate taxpayers with an income of less than \$40,000 may claim this credit if they made payments that qualified for the federal child and dependent care credit on the federal income tax return.

Displaced worker training credit (R.C. 5747.27) – An individual taxpayer may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of a position or shift. The maximum credit is 50 percent of the training expenses or \$500, whichever is lower.

Joint filing credit (R.C. 5747.05(G)(1)) – A husband and wife who file jointly are allowed a tax credit if each spouse has qualifying Ohio adjusted gross income of \$500 or more. Qualifying income does not include income from interest, dividends and distributions, royalties, rents, capital gains, and state or municipal income tax refunds. The maximum credit is \$650. The credit is a percentage of the tax after all credits are claimed other than the resident, nonresident, part-year resident, and business credits.

Low income taxpayer credit (R.C. 5747.056) – Individual taxpayers whose Ohio taxable income is less than or equal to \$10,000 receive a full credit against the tax otherwise due.

Lump sum distribution credit (R.C. 5747.05(D)) – Individual taxpayers 65 years of age or older may claim this credit if they received a lump sum distribution from a pension, retirement, or profit sharing plan. The calculation is based upon the expected remaining years of life multiplied by

the value of the senior citizen credit. Taxpayers who claim this credit are barred from claiming future senior citizen credits.

Lump sum retirement credit (R.C. 5747.055(C), (D), (E)) – Individual taxpayers may claim this credit if, on retirement, they received a lump sum distribution from a qualified pension, retirement, or profit sharing plan during one tax year. Taxpayers who claim this credit may not claim a retirement income credit in future tax years unless this credit exceeds their tax due. If the credit exceeds their tax due for the year, they may receive a reduced credit in subsequent tax years. A taxpayer may also claim a credit in a future tax year if they receive another pension, retirement, or profit-sharing lump-sum distribution in one taxable year.

Nonresident credit (R.C. 5747.05(A)) – Nonresidents may calculate a credit if part of their income was not earned or received in Ohio. Ohio lottery winnings do not qualify for this credit.

Political contributions credit (R.C. 5747.29) – Individual and estate taxpayers may claim a credit for contributions made to the campaign committees of candidates for the Ohio General Assembly, the Ohio Supreme Court, and for statewide executive offices. The maximum credit is \$50 for single, head of household, and married filing separate filers and \$100 for married filing joint filers.

Resident credit (R.C. 5747.05(B)) – Resident individuals and resident estates may calculate a tax credit if part or all of their income is taxed in another state. The calculation for trusts differs from that used for individuals and estates.

Retirement income credit (R.C. 5747.055) – Individual and estate taxpayers receiving retirement benefits, annuities, or distributions from a retirement or profit sharing plan that are included in Ohio adjusted gross income are allowed a credit based on the amount of retirement income received during the taxable year. The maximum credit is \$200.

Senior citizen credit (R.C. 5747.05(C)) – Individuals may claim a \$50 credit per return if the taxpayer was 65 years of age on or before Dec. 31 of the taxable year. Estates may claim the credit if the decedent was 65 years or older at the date of death.

Business Credits

Investors in pass-through entities are eligible for a refundable credit equal to the amount of tax paid on their behalf by the pass-through entity (R.C. 5747.059). A number of other business credits also apply to individuals, estates, and trusts. For more information, see the Business Tax Credits chapter of this annual report.

Special Provisions

Military pay and income of military spouses

Military pay received while the service member is stationed in Ohio is taxable for Ohio residents, but is not taxable while the service member is stationed outside the state. If the taxpayer is not an Ohio resident, Ohio does not tax the military pay. Ohio does tax nonmilitary pay earned in Ohio that is included in federal adjusted gross income.

In November 2009, federal law was amended to extend the principle of domicile that applies to service members to their spouses. Starting in taxable year 2009, nonresident civilian spouses who reside with their spouse on a duty station in Ohio may deduct income earned in Ohio from their Ohio return. Resident military spouses who reside outside the state are still subject to Ohio income taxes.

Reciprocity

Reciprocal agreements with other states (R.C. 5747.05(A)(3)) may affect filing of an Ohio return. Because of agreements Ohio has with bordering states (Indiana, Kentucky, West Virginia, Michigan, and Pennsylvania), an individual does not have to file an Ohio income tax return if:

- the taxpayer was a full-year resident of one of the five listed states for the taxable year, and
- the taxpayer's only source of income within Ohio was from wages, salaries, tips, or commissions generally received from employers unrelated to the taxpayer.

These reciprocal agreements do not apply to nonresidents who directly or indirectly own at least 20 percent of the stock or other equity of Ohio pass-through entities (such as S corporations or partnerships; see R.C. 5733.40(A)(7) for details). These nonresidents must include this compensation in Ohio taxable income but can treat this compensation as business income, which must be apportioned for purposes of computing the nonresident credit. Ohio tax form IT 2023 is used to compute this credit.

Residency

Residency status affects the calculation of the Ohio income tax. Individual taxpayers who have no more than 182 contact periods in Ohio and who have an abode outside of Ohio for the entire year may, under certain circumstances, declare themselves to be a nonresident of Ohio. For details, see information release IT 2007-08, "Personal Income Tax: Residency Guidelines – Tax Imposed on Resident and Nonresident Individuals for Post-2006 Taxable Years," issued in December 2007 and revised in July 2008.

Filing and Payment Dates

(R.C. 5747.07-5747.09)

For individuals, estates and trusts

Annual return – The annual income tax return is typically due by April 15 for calendar year taxpayers without an extension. Fiscal year returns are due by the 15th day of the fourth month after the end of the fiscal year.

Quarterly payments – Taxpayers must file quarterly declarations if they expect their tax to be under-withheld by more than \$500. Such taxpayers must make estimated payments by April 15, June 15, and Sept. 15 of the current year and by Jan. 15 of the next year.

Electronic filing – Generally speaking, tax return preparers who file more than 75 original income tax returns, reports, or other tax payment documents in a calendar year that begins on or after Jan. 1, 2008, must begin filing electronically on Jan. 1, 2010.

For employers

An employer accumulating undeposited taxes of \$100,000 or more is required to make payment within one banking day

by electronic funds transfer (EFT). Otherwise, the following rules apply:

- if an employer withheld no more than \$2,000 during the 12 months ending on June 30 of the preceding year, payments are due within 30 days after the quarter ending in March, June, September, and December.
- if an employer withheld more than \$2,000 and less than \$84,000 during the 12 months ending on June 30 of the preceding year, payments are due within 15 days after the end of the month.
- if an employer withheld at least \$84,000 during the 12 months ending on June 30 of the preceding year, payments are due within three banking days after the end of the partial weekly period and must be made by EFT.

Disposition of Revenue

During fiscal year 2010, 91.9 percent of revenue from the state income tax – or \$7,247.2 million – was distributed to the General Revenue Fund. The rest was distributed to the Local Government Fund (8 percent or \$629.2 million) and to several much smaller funds.

House Bill 119, the fiscal year 2008-09 operating budget bill enacted in 2007, revised the formula and the revenue accounting associated with the local government funds. Starting in January 2008, all income tax revenue has been directed to the General Revenue Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

The Ohio Constitution requires that at least 50 percent of the income tax collections be returned to the county of origin. This provision is met primarily through General Revenue Fund allocations to education, Local Government Fund distributions, and local property tax relief (the 10 percent and 2.5 percent property tax rollbacks and the homestead exemption for senior citizen homeowners and certain disabled homeowners).

Administration

The Department of Taxation administers the Ohio income tax on individuals, estates, and trusts.

Ohio Revised Code Citations

Chapter 5747.

Recent Legislation

Substitute Senate Bill 155, 128th General Assembly (effective March 31, 2010)

This act permits individual taxpayers to direct the state to transmit an income tax refund directly to a pre-existing college savings plan or program account offered by the Ohio tuition trust authority.

Amended Substitute Senate Bill 194, 128th General Assembly (effective August 19, 2010)

This act permits individual taxpayers to direct the state to transmit an income tax refund directly to the taxpayer's savings or tax-qualified retirement account.

House Bill 318, 128th General Assembly (effective Dec. 22, 2009)

This act postponed the last of five income tax rate reductions scheduled as part of the 126th General Assembly's House Bill 66. The fifth and final reduction was originally scheduled for taxable year 2009. It is now scheduled for taxable year 2011.

Public Law 111-97, (the "Military Spouses Residency Relief Act," effective Nov. 11, 2009)

This act of Congress amended the "Service Members Civil Relief Act" to extend the principle of domicile that applies to service members to their spouses as well. Starting with tax years that begin Jan. 1, 2009, an individual who resides in a taxing jurisdiction solely due to the military orders of his/her spouse – and who is domiciled in another jurisdiction that is the same jurisdiction as his/her military spouse – remains subject to income tax in the jurisdiction of their domicile and is exempt from income tax in the jurisdiction where he/she is living with their service member spouse.

Tables and Charts

The following tables provide a wide variety of statistical information from Ohio individual income tax returns. Please note the following cautions about this data.

The tables reflect all tax returns filed to date by taxpayers for the taxable year noted. The tables include tax returns that indicate tax liability as well as returns with no tax liability. For example, taxpayers with Ohio taxable income below \$10,000 receive a tax credit that results in no tax liability.

The income of Ohio residents, part-year residents and nonresidents that filed an Ohio individual income tax return has not been reduced to exclude income earned or received outside of Ohio. This is because Ohio law uses tax credits – rather than income exclusions – to prevent income earned or received outside this state from being taxed by Ohio. As a result, income figures in these tables (such as federal adjusted gross income, Ohio adjusted gross income, and Ohio taxable income) include non-Ohio income.

Also, amounts labeled as "Ohio income tax" are after subtraction of the resident credit, part-year resident credit, nonresident credit, and all other tax credits applicable under Ohio law.

Also, note that the income of residents of states adjacent to Ohio is reported in a somewhat different manner from that described above. Under a reciprocity agreement with those states, the wage and salary income earned in Ohio by residents of one of those states is not taxed by Ohio. For those residents, such income is excluded from Ohio adjusted gross income and Ohio taxable income.

Chart 1

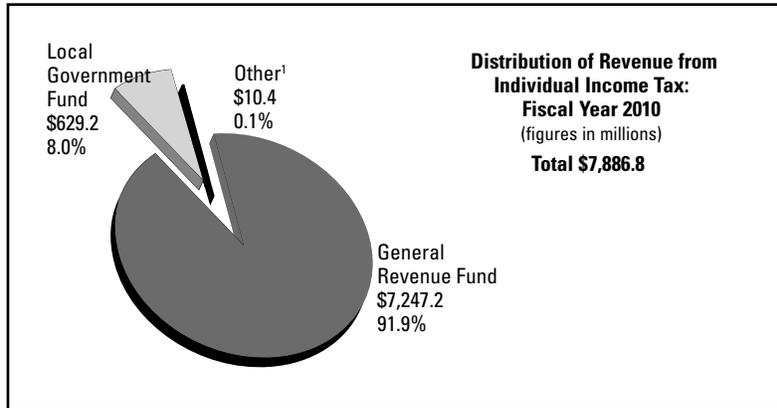
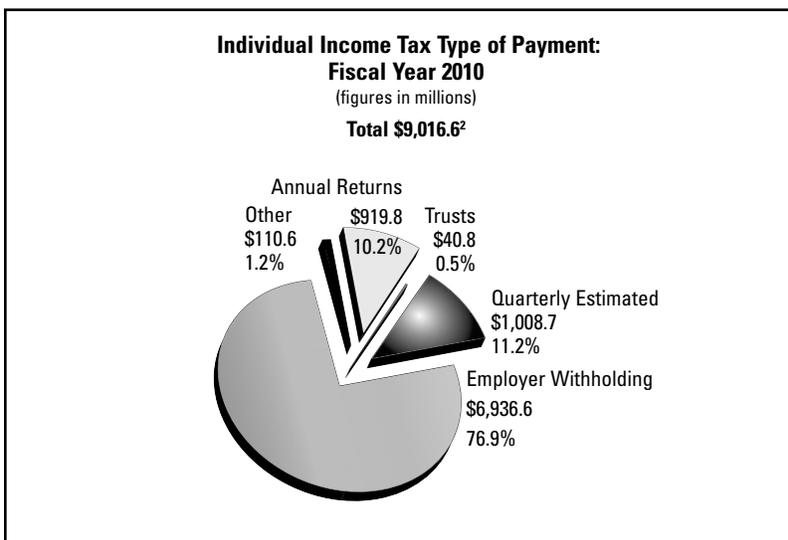


Chart 2



Source: Department of Taxation.

¹ Consists of amounts deposited in the Attorney General Claims Fund and amounts deposited in Ohio Political Party Fund (based on taxpayer checkoffs).

² Includes \$1,127.3 million refunded back to taxpayers.

Chart 3

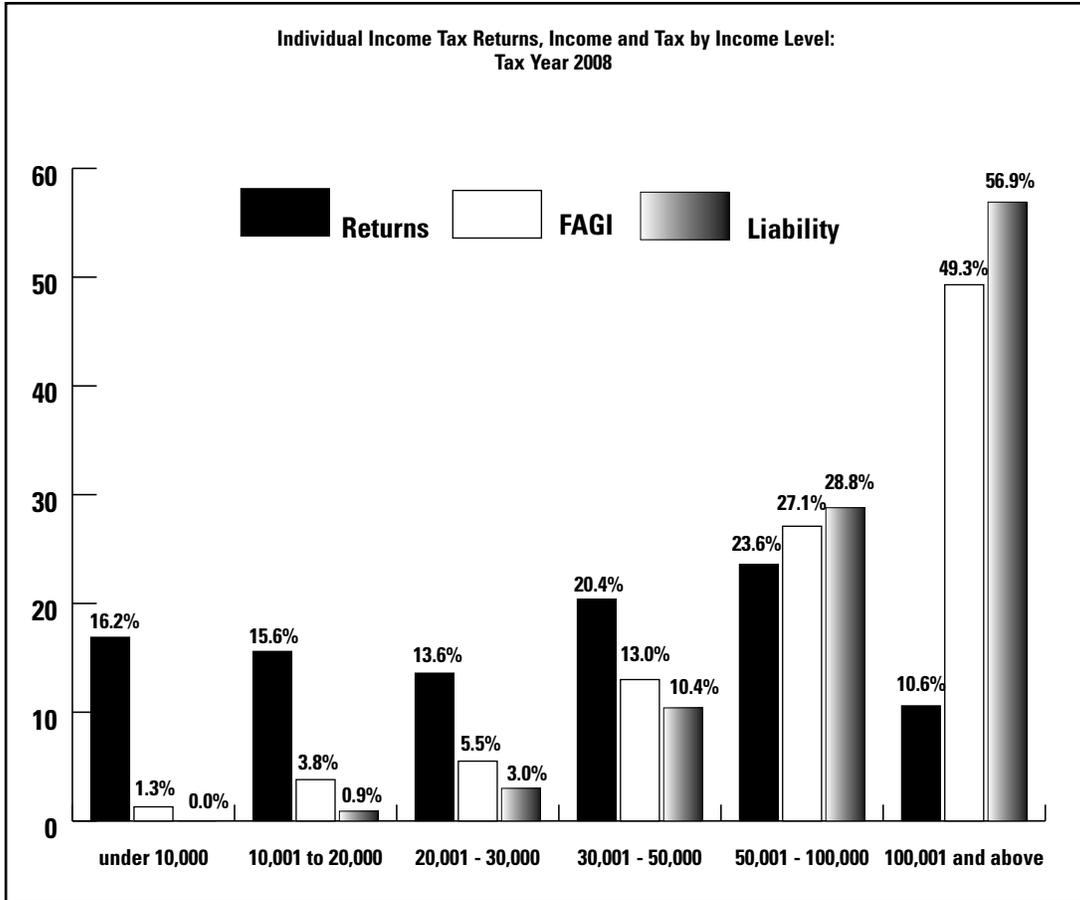


Table 1

2008 Ohio Individual Income Tax Returns, by Income Level									
Income Level	Number of Returns	FAGI	OAGI	Reported Value of Personal Exemptions	Ohio Taxable Income	Tax Before Credits	Value of Joint Filer Credit	Total Income Tax Liability ¹	
Under \$5,000	425,081	\$1,105,469,314	\$1,089,378,371	\$783,843,081	\$528,017,334	\$5,245,235	\$11,835	\$1,458,888	
\$5,001 - 10,000	445,098	3,323,615,680	3,134,223,043	944,731,501	2,268,939,538	16,503,768	3,126	223,958	
10,001 - 15,000	429,921	5,372,208,267	5,048,309,148	1,049,703,005	4,080,050,401	41,749,602	30,240	17,681,757	
15,001 - 20,000	408,594	7,138,855,322	6,724,715,297	1,035,811,509	5,760,811,118	83,535,262	299,124	56,587,805	
20,001 - 25,000	379,384	8,522,675,942	8,051,826,778	988,009,503	7,111,999,593	130,445,532	956,070	101,025,203	
25,001 - 30,000	352,522	9,685,918,618	9,144,063,193	934,762,501	8,252,059,853	178,935,861	2,062,425	148,413,227	
30,001 - 35,000	323,312	10,493,420,674	9,907,383,610	874,908,000	9,071,689,599	218,943,261	3,166,851	188,214,633	
35,001 - 40,000	289,762	10,853,811,005	10,248,969,870	801,805,501	9,476,681,805	245,763,682	4,659,668	214,944,060	
40,001 - 45,000	256,841	10,899,867,025	10,272,711,284	734,476,502	9,561,821,797	261,510,079	6,678,727	230,677,798	
45,001 - 50,000	224,337	10,645,467,360	10,016,445,513	679,623,002	9,356,846,989	269,821,611	8,940,071	238,119,918	
50,001 - 55,000	200,746	10,529,071,158	9,878,980,380	639,700,505	9,257,527,950	279,008,159	10,929,728	245,737,161	
55,001 - 60,000	175,522	10,084,493,220	9,458,758,032	581,733,000	8,892,429,924	277,978,818	10,208,500	246,576,376	
60,001 - 65,000	158,373	9,891,939,225	9,269,306,847	546,454,500	8,751,924,791	282,092,833	11,409,129	250,269,051	
65,001 - 70,000	142,452	9,609,293,816	9,033,612,257	510,430,500	8,533,433,992	282,240,534	12,865,756	249,904,194	
70,001 - 75,000	129,470	9,381,287,554	8,836,555,762	478,362,000	8,365,467,760	282,792,186	14,211,043	249,788,926	
75,001 - 80,000	116,467	9,020,680,363	8,512,919,238	444,241,500	8,074,958,176	278,106,620	14,174,176	245,840,196	
80,001 - 85,000	104,254	8,595,781,924	8,130,422,102	408,625,500	7,733,184,354	270,900,133	9,943,127	243,603,872	
85,001 - 90,000	91,944	8,039,782,023	7,639,258,594	368,664,000	7,274,446,652	259,890,496	8,816,555	234,614,850	
90,001 - 95,000	80,766	7,466,351,289	7,120,883,955	332,032,500	6,791,949,401	247,644,106	8,496,439	224,215,220	
95,001 - 100,000	70,756	6,895,537,108	6,587,438,319	296,548,500	6,294,501,699	233,719,304	8,056,524	211,128,150	
100,001 - 125,000	230,801	25,575,190,970	24,546,562,444	993,768,000	23,562,392,293	921,339,699	31,628,850	830,714,722	
125,001 - 150,000	108,287	14,759,790,216	14,195,127,131	470,767,500	13,728,885,235	583,225,637	19,651,891	518,873,390	
150,001 - 175,000	60,353	9,741,189,885	9,412,318,933	265,074,000	9,149,181,307	410,752,202	13,558,973	361,247,763	
175,001 - 200,000	37,873	7,067,354,866	6,846,907,542	167,731,500	6,685,496,678	311,938,283	9,991,903	270,380,682	
200,001 - 250,000	42,937	9,530,237,586	9,294,266,469	190,633,500	9,104,756,446	444,363,532	13,581,004	378,761,427	
250,001 - 300,000	22,337	6,090,784,467	5,965,265,398	99,975,000	5,867,797,965	301,487,253	8,112,033	251,470,695	
300,001 - 350,000	13,284	4,290,863,393	4,224,601,569	59,865,000	4,165,749,392	221,442,002	4,669,315	181,917,314	
350,001 - 400,000	9,186	3,428,843,618	3,390,694,239	41,812,500	3,349,575,925	182,373,117	3,173,453	145,950,215	
400,001 - 450,000	6,566	2,780,999,517	2,759,989,313	29,956,500	2,730,053,289	151,286,995	2,156,720	118,276,448	
450,001 - 500,000	5,135	2,435,859,275	2,416,352,416	23,427,000	2,393,286,577	134,437,712	1,676,388	103,027,819	
500,001 - 750,000	13,821	8,330,591,064	8,295,741,956	62,539,500	8,233,987,333	473,684,149	4,480,982	347,299,711	
750,001 - 1,000,000	5,584	4,801,896,025	4,802,209,354	24,942,000	4,777,311,723	281,896,164	1,685,393	184,790,019	
1,000,001 - 1,500,000	5,002	6,045,516,395	6,051,344,553	21,520,500	6,031,230,728	361,835,158	1,352,713	213,729,141	
1,500,001 - 2,000,000	2,229	3,843,434,038	3,849,594,164	9,414,000	3,840,194,076	233,165,114	569,400	120,613,508	
2,000,001 - 3,000,000	2,154	5,228,432,295	5,210,667,735	9,160,500	5,206,947,537	318,665,249	511,740	144,668,397	
3,000,001 - 4,000,000	1,124	3,900,254,646	3,897,390,055	4,696,500	3,892,714,493	239,643,056	247,650	99,145,507	
4,000,001 - 5,000,000	679	3,023,975,725	3,031,293,678	2,871,000	3,028,425,677	187,003,022	135,850	64,126,861	
5,000,001 - 10,000,000	1,272	8,825,822,218	8,766,336,189	5,331,000	8,761,042,958	542,997,215	232,050	157,277,849	
Over \$10,000,000	1,055	33,177,552,572	33,162,903,392	4,612,500	33,187,889,102	2,067,865,348	196,300	254,827,891	
	5,375,281	\$330,434,115,659	\$318,225,728,123	\$15,922,564,610	\$303,135,661,462	\$12,516,227,992	\$253,531,721	\$8,346,124,605	

¹ This represents tax liability after all tax credits. Although the joint filer credit is presented in this table, it is not the largest income tax credit. The combined resident and nonresident tax credits account for the largest amount of credit value, totalling \$3.5 billion.

Table 2

Comparison of 2007 and 2008 Individual Income Tax Returns										
Income Level (Federal Adjusted Gross Income)	Number of Returns		Federal Adjusted Gross Income		Ohio Taxable Income		Joint Filer Credit		Ohio Income Tax	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Under \$5,000	461,073	425,081	\$1,234,071,963	\$1,105,469,314	\$537,867,236	\$528,017,334	\$2,120	\$11,835	\$195,986	\$1,458,888
\$5,001 - 10,000	467,370	445,098	3,482,906,915	3,323,615,680	2,415,247,116	2,268,939,538	2,233	3,126	74,879	223,958
10,001 - 15,000	437,711	429,921	5,466,147,927	5,372,208,267	4,213,321,837	4,080,050,401	33,832	30,240	19,870,713	17,681,757
15,001 - 20,000	416,741	408,594	7,281,775,430	7,138,855,322	5,946,136,959	5,760,811,118	334,115	299,124	62,746,805	56,587,805
20,001 - 40,000	1,374,389	1,344,980	40,440,542,602	39,555,826,238	34,959,475,278	33,912,430,851	12,221,299	10,845,013	715,004,094	652,597,124
40,001 - 80,000	1,418,885	1,404,208	80,866,143,522	80,062,099,722	71,788,829,079	70,794,411,381	97,978,702	89,417,130	2,088,329,312	1,956,913,620
80,001 - 100,000	348,908	347,720	31,103,081,549	30,997,452,344	28,260,186,688	28,094,082,105	37,048,818	35,312,645	967,273,092	913,562,092
100,001 - 200,000	433,452	437,314	56,802,090,149	57,143,525,937	52,849,613,493	53,125,955,513	76,429,304	74,831,616	2,078,930,314	1,981,216,558
\$200,000 & above	144,642	132,365	149,337,301,659	105,735,062,834	146,654,008,099	104,570,963,222	46,548,604	42,780,991	3,504,708,316	2,765,882,803
	5,503,171	5,375,281	\$376,014,061,715	\$330,434,115,659	\$347,604,685,766	\$303,135,661,462	\$270,599,026	\$253,531,721	\$9,437,133,510	\$8,346,124,605

Table 3

Income Level	Number of Returns with Tax Liability		Ohio Income Tax	
	2006	2007	2006	2007
Under \$5,000	453	592	\$195,986	\$1,458,888
\$5,001 - 10,000	287	663	74,879	223,958
10,001 - 15,000	181,102	168,976	19,870,713	17,681,757
15,001 - 20,000	333,652	318,091	62,746,805	56,587,805
20,001 - 40,000	1,312,210	1,269,941	715,004,094	652,597,124
40,001 - 80,000	1,392,110	1,374,524	2,088,329,312	1,956,913,620
80,001 - 100,000	343,596	342,079	967,273,092	913,562,092
\$100,001 - 200,000	425,813	429,150	2,078,930,314	1,981,216,558
\$200,000 & above	138,138	126,299	3,504,708,316	2,765,882,803
	4,127,361	4,030,315	\$9,437,133,510	\$8,346,124,605

Table 4

2008 Ohio Individual Income Tax Returns for All Filing Status Categories						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate ¹
Under \$5,000	425,081	\$1,105,469,314	\$528,017,334	\$11,835	\$1,458,888	0.13%
\$5,001 - 10,000	445,098	3,323,615,680	2,268,939,538	3,126	223,958	0.01%
10,001 - 15,000	429,921	5,372,208,267	4,080,050,401	30,240	17,681,757	0.33%
15,001 - 20,000	408,594	7,138,855,322	5,760,811,118	299,124	56,587,805	0.79%
20,001 - 40,000	1,344,980	39,555,826,238	33,912,430,851	10,845,013	652,597,124	1.65%
40,001 - 80,000	1,404,208	80,062,099,722	70,794,411,381	89,417,130	1,956,913,620	2.44%
80,001 - 100,000	347,720	30,997,452,344	28,094,082,105	35,312,645	913,562,092	2.95%
100,001 - 200,000	437,314	57,143,525,937	53,125,955,513	74,831,616	1,981,216,558	3.47%
\$200,000 & above	132,365	105,735,062,834	104,570,963,222	42,780,991	2,765,882,803	2.62%
	5,375,281	\$330,434,115,659	\$303,135,661,462	\$253,531,721	\$8,346,124,605	2.53%

Table 5

2008 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate ¹	
Under \$5,000	20,439	\$23,965,514	\$37,510,869	\$1,009,703	n/a	
\$5,001 - 10,000	36,243	280,146,718	109,273,758	97,090	0.03%	
10,001 - 15,000	59,602	755,040,446	438,395,173	516,004	0.07%	
15,001 - 20,000	76,477	1,342,967,267	912,645,259	3,778,857	0.28%	
20,001 - 40,000	323,601	9,770,216,957	7,461,595,703	109,449,511	1.12%	
40,001 - 80,000	697,520	41,784,043,131	35,693,725,114	936,393,386	2.24%	
80,001 - 100,000	271,036	24,213,051,059	21,753,292,427	698,705,558	2.89%	
100,001 - 200,000	367,065	48,082,971,298	44,575,443,049	1,654,331,349	3.44%	
\$200,000 & above	112,918	85,966,356,017	84,964,038,284	2,344,360,353	2.73%	
	1,964,901	\$212,218,758,407	\$195,945,919,636	\$5,748,641,811	2.71%	

Table 6

2008 Ohio Individual Income Tax Returns Claiming Single Filing Status					
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate ¹
Under \$5,000	\$399,457	\$1,068,729,611	\$483,304,539	\$414,155	0.04%
\$5,001 - 10,000	401,375	2,986,355,240	2,119,883,098	117,072	0.01%
10,001 - 15,000	359,499	4,479,622,756	3,531,367,253	16,439,948	0.37%
15,001 - 20,000	311,601	5,432,322,982	4,537,589,066	48,815,091	0.90%
20,001 - 40,000	874,538	25,269,157,495	22,384,006,085	453,839,740	1.80%
40,001 - 80,000	533,899	28,812,502,806	26,268,510,505	756,210,415	2.62%
80,001 - 100,000	53,757	4,756,617,084	4,399,338,030	146,280,269	3.08%
100,001 - 200,000	50,921	6,609,043,766	6,183,260,156	231,173,412	3.50%
\$200,000 & above	15,710	15,540,441,561	15,409,453,946	338,919,082	2.18%
	3,000,757	\$94,954,793,302	\$85,316,712,678	\$1,992,209,184	2.10%

¹ Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 7

2008 Ohio Individual Income Tax Returns Claiming Married Filing Separate Status						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate ¹	
Under \$5,000	5,185	\$12,774,189	\$7,201,926	\$35,030	0.27%	
\$5,001 - 10,000	7,480	57,113,722	39,782,682	9,796	0.02%	
10,001 - 15,000	10,820	137,545,064	110,287,974	725,805	0.53%	
15,001 - 20,000	20,516	363,565,073	310,576,793	3,993,857	1.10%	
20,001 - 40,000	146,841	4,516,451,787	4,066,829,063	89,307,873	1.98%	
40,001 - 80,000	172,789	9,465,553,785	8,832,175,762	264,309,819	2.79%	
80,001 - 100,000	22,927	2,027,784,201	1,941,451,648	68,576,265	3.38%	
100,001 - 200,000	19,329	2,451,618,632	2,367,354,067	95,715,457	3.90%	
\$200,000 & above	3,736	4,120,508,157	4,089,719,893	75,883,336	1.84%	
	409,623	\$23,152,914,610	\$21,765,379,808	\$598,557,237	2.59%	

Table 8

2008 Ohio Individual Income Tax Returns by Ohio Taxable Income Level					
Income Level	Number of Returns	\$20 Exemption Credit	Joint Filer Credit	Ohio Income Tax	
Under \$5,000	425,081	\$10,451,289	\$11,835	\$1,458,888	
\$5,001 - 10,000	445,098	12,596,449	3,126	223,958	
10,001 - 15,000	429,921	13,996,061	30,240	17,681,757	
15,001 - 20,000	408,594	13,810,821	299,124	56,587,805	
20,001 - 40,000	1,344,980	47,993,508	10,845,013	652,597,124	
40,001 - 80,000	1,404,208	61,533,625	89,417,130	1,956,913,620	
80,001 - 100,000	347,720	18,744,940	35,312,645	913,562,092	
100,001 - 200,000	437,314	25,297,880	74,831,616	1,981,216,558	
\$200,000 & above	132,365	7,876,760	42,780,991	2,765,882,803	
	5,375,281	\$212,301,333	\$253,531,721	\$8,346,124,605	

¹ Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

Table 9

2008 Ohio Individual Income Tax Returns Claiming the Joint Filer Credit, by Income Level						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate ¹	
Under \$5,000	95	-\$7,476,475	\$9,770,288	\$464,522	n/a	
\$5,001 - 10,000	121	954,508	1,587,938	29,802	n/a	
10,001 - 15,000	1,967	27,595,329	22,861,534	145,513	0.53%	
15,001 - 20,000	13,156	235,142,328	181,132,181	1,218,278	0.52%	
20,001 - 40,000	147,852	4,629,919,017	3,767,811,086	54,659,633	1.18%	
40,001 - 80,000	502,050	30,531,249,408	26,780,340,442	695,451,055	2.28%	
80,001 - 100,000	222,937	19,929,813,946	18,203,036,076	585,115,353	2.94%	
100,001 - 200,000	297,269	38,693,858,651	36,264,140,930	1,347,437,558	3.48%	
\$200,000 & above	71,824	43,521,607,474	43,044,988,908	1,376,854,195	3.16%	
	1,257,271	\$137,562,664,187	\$128,275,669,381.5	\$4,061,375,909.4	2.95%	

Table 10

2008 Ohio Individual Income Tax Returns Claiming the Senior Citizen Credit, by Income Level						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Senior Citizen Credit	Retirement Income Credit ²	Ohio Income Tax
Under \$5,000	27,231	\$70,300,153	\$22,740,009	\$1,361,465	\$892,766	\$48,084
\$5,001 - 10,000	50,152	388,310,742	221,033,316	2,507,555	4,247,010	24,330
10,001 - 15,000	78,868	992,537,644	685,234,690	3,943,232	10,191,015	393,284
15,001 - 20,000	76,267	1,327,324,419	970,006,909	3,813,295	11,031,605	1,780,594
20,001 - 40,000	196,131	5,688,159,120	4,046,022,467	9,806,176	29,967,520	39,106,842
40,001 - 80,000	194,603	11,111,454,243	7,763,661,784	9,729,745	30,156,376	167,070,346
80,001 - 100,000	45,061	4,005,529,581	2,954,725,040	2,253,000	6,886,920	83,287,227
100,001 - 200,000	55,488	7,341,382,295	5,934,926,445	2,774,255	8,008,630	205,945,704
\$200,000 & above	21,324	22,836,909,922	22,409,603,879	1,066,200	2,479,635	471,341,338
	745,125	\$53,761,908,120	\$45,007,954,540	\$37,254,923	\$103,861,477	\$968,997,749

¹ Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.

² This represents only the amount of the retirement income credit taken by senior citizen claimants (those 65 and older).

Table 11

2008 Ohio Individual Income Tax Returns: By County							
County	Number of Returns	FAGI	Ohio Income Tax	County	Number of Returns	FAGI	Ohio Income Tax
ADAMS	11,321	\$413,789,841	\$9,588,004	LORAIN	138,816	\$6,887,575,308	\$198,887,959
ALLEN	47,897	2,145,554,926	59,651,371	LUCAS	190,534	9,488,709,347	284,967,657
ASHLAND	24,042	1,003,348,307	25,749,883	MADISON	18,152	895,501,688	26,121,722
ASHTABULA	44,291	1,749,161,797	43,758,008	MAHONING	106,951	4,889,693,790	137,667,568
ATHENS	22,083	902,439,765	23,842,844	MARION	27,565	1,135,832,461	29,377,766
AUGLAIZE	21,958	1,055,962,577	28,964,763	MEDINA	82,716	4,878,184,400	153,501,076
BELMONT	30,057	1,268,458,468	33,220,505	MEIGS	8,962	342,877,733	8,050,408
BROWN	18,671	741,477,271	17,792,231	MERCER	20,373	940,466,990	27,396,409
BUTLER	162,444	8,793,797,234	265,187,502	MIAMI	48,618	2,488,810,686	75,232,022
CARROLL	12,608	509,952,255	12,689,284	MONROE	6,421	243,024,608	5,654,454
CHAMPAIGN	17,515	776,339,414	20,721,692	MONTGOMERY	242,586	11,814,387,332	337,511,449
CLARK	61,536	2,683,411,831	71,036,039	MORGAN	5,522	195,978,670	4,424,967
CLERMONT	89,449	5,002,518,162	151,786,090	MORROW	14,438	610,960,019	15,611,106
CLINTON	19,969	902,490,538	23,096,152	MUSKINGUM	37,507	1,543,260,747	40,792,611
COLUMBIANA	46,784	1,882,051,287	47,122,043	NOBLE	5,375	195,629,496	4,579,270
COSHOCTON	15,869	615,509,947	15,415,232	OTTAWA	20,878	1,044,426,629	30,127,917
CRAWFORD	20,712	779,443,480	18,444,187	PAULDING	8,921	378,227,625	10,017,788
CUYAHOGA	589,954	31,973,636,668	1,014,639,264	PERRY	14,548	563,987,400	13,838,834
DARKE	25,026	1,054,067,327	28,779,113	PICKAWAY	22,905	1,058,076,524	28,594,144
DEFIANCE	18,658	830,678,712	21,929,557	PIKE	11,556	443,384,809	10,672,062
DELAWARE	76,390	6,634,549,227	248,257,460	PORTAGE	72,030	3,518,270,603	101,152,505
ERIE	37,381	1,751,312,186	50,204,675	PREBLE	18,434	777,026,493	19,486,424
FAIRFIELD	63,887	3,348,604,274	98,173,040	PUTNAM	16,871	811,852,406	23,265,181
FAYETTE	12,955	505,105,768	12,801,853	RICHLAND	55,766	2,373,013,527	63,266,358
FRANKLIN	534,222	28,467,922,519	883,251,402	ROSS	31,913	1,323,162,812	33,968,839
FULTON	20,534	929,965,224	24,907,161	SANDUSKY	29,567	1,211,769,441	30,975,814
GALLIA	11,930	510,098,598	13,681,997	SCIOTO	27,786	1,134,407,768	28,545,260
GEAUGA	44,324	3,317,569,838	121,076,922	SENECA	26,608	1,038,948,961	25,633,163
GREENE	71,331	4,089,489,005	119,223,532	SHELBY	23,549	1,091,751,706	31,699,873
GUERNSEY	17,238	651,697,961	16,282,853	STARK	174,300	8,321,753,202	243,412,021
HAMILTON	375,438	23,335,923,198	798,778,666	SUMMIT	252,399	13,745,124,221	435,605,431
HANCOCK	34,388	1,731,439,513	50,947,497	TRUMBULL	98,159	4,219,649,611	112,049,675
HARDIN	13,120	525,741,964	13,039,048	TUSCARAWAS	43,453	1,989,045,605	59,341,290
HARRISON	6,490	243,283,771	5,761,784	UNION	22,114	1,299,677,491	40,766,602
HENRY	13,576	597,707,132	15,542,467	VAN WERT	13,906	579,615,706	14,913,729
HIGHLAND	18,031	666,919,375	15,748,045	VINTON	4,628	167,846,793	3,937,217
HOCKING	12,014	463,897,217	11,239,368	WARREN	94,004	6,573,985,517	222,746,258
HOLMES	14,784	623,087,064	17,484,226	WASHINGTON	27,208	1,197,515,254	31,259,303
HURON	28,520	1,184,397,403	31,158,984	WAYNE	52,186	2,411,840,553	67,556,857
JACKSON	13,524	534,230,935	13,709,851	WILLIAMS	18,108	746,119,812	19,212,815
JEFFERSON	30,245	1,270,810,707	32,473,511	WOOD	57,030	3,263,849,848	104,974,280
KNOX	25,490	1,160,982,162	31,763,345	WYANDOT	10,796	428,260,030	10,802,273
LAKE	115,675	5,935,013,182	174,002,450				
LAWRENCE	25,154	1,021,688,932	25,263,682	COUNTY TOTAL	5,218,531	\$267,598,443,232	\$8,062,070,871
LICKING	75,099	3,756,575,105	108,885,411				
LOGAN	21,788	992,857,543	27,399,522	OTHER¹	156,750	62,728,023,087	277,337,362
				STATE TOTAL	5,375,281	\$330,326,466,319	\$8,339,408,233

1 Includes non-resident returns.

Table 12

Rank of Counties By Average Income As Reported On 2008 Ohio Individual Income Tax Returns							
County	FAGI	Percentage of State Average	Rank	County	FAGI	Percentage of State Average	Rank
ADAMS	\$36,551	71.3%	85	LOGAN	\$45,569	88.9%	35
ALLEN	44,795	87.4%	39	LORAIN	49,617	96.8%	21
ASHLAND	41,733	81.4%	55	LUCAS	49,801	97.1%	20
ASHTABULA	39,492	77.0%	72	MADISON	49,333	96.2%	22
ATHENS	40,866	79.7%	63	MAHONING	45,719	89.2%	34
AUGLAIZE	48,090	93.8%	26	MARION	41,206	80.4%	59
BELMONT	42,202	82.3%	50	MEDINA	58,975	115.0%	5
BROWN	39,713	77.4%	69	MEIGS	38,259	74.6%	79
BUTLER	54,134	105.6%	12	MERCER	46,162	90.0%	32
CARROLL	40,447	78.9%	66	MIAMI	51,191	99.8%	16
CHAMPAIGN	44,324	86.4%	41	MONROE	37,848	73.8%	80
CLARK	43,607	85.0%	44	MONTGOMERY	48,702	95.0%	24
CLERMONT	55,926	109.1%	9	MORGAN	35,491	69.2%	88
CLINTON	45,195	88.1%	38	MORROW	42,316	82.5%	49
COLUMBIANA	40,229	78.5%	67	MUSKINGUM	41,146	80.2%	61
COSHOCTON	38,787	75.6%	75	NOBLE	36,396	71.0%	86
CRAWFORD	37,632	73.4%	82	OTTAWA	50,025	97.6%	18
CUYAHOGA	54,197	105.7%	11	PAULDING	42,397	82.7%	48
DARKE	42,119	82.1%	53	PERRY	38,767	75.6%	76
DEFIANCE	44,521	86.8%	40	PICKAWAY	46,194	90.1%	31
DELAWARE	86,851	169.4%	1	PIKE	38,368	74.8%	78
ERIE	46,850	91.4%	28	PORTAGE	48,845	95.3%	23
FAIRFIELD	52,414	102.2%	14	PREBLE	42,152	82.2%	51
FAYETTE	38,989	76.0%	74	PUTNAM	48,121	93.8%	25
FRANKLIN	53,289	103.9%	13	RICHLAND	42,553	83.0%	47
FULTON	45,289	88.3%	37	ROSS	41,462	80.9%	58
GALLIA	42,758	83.4%	46	SANDUSKY	40,984	79.9%	62
GEAUGA	74,848	146.0%	2	SCIOTO	40,827	79.6%	64
GREENE	57,331	111.8%	7	SENECA	39,046	76.1%	73
GUERNSEY	37,806	73.7%	81	SHELBY	46,361	90.4%	29
HAMILTON	62,157	121.2%	4	STARK	47,744	93.1%	27
HANCOCK	50,350	98.2%	17	SUMMIT	54,458	106.2%	10
HARDIN	40,072	78.1%	68	TRUMBULL	42,988	83.8%	45
HARRISON	37,486	73.1%	83	TUSCARAWAS	45,775	89.3%	33
HENRY	44,027	85.9%	42	UNION	58,772	114.6%	6
HIGHLAND	36,987	72.1%	84	VAN WERT	41,681	81.3%	56
HOCKING	38,613	75.3%	77	VINTON	36,268	70.7%	87
HOLMES	42,146	82.2%	52	WARREN	69,933	136.4%	3
HURON	41,529	81.0%	57	WASHINGTON	44,013	85.8%	43
JACKSON	39,502	77.0%	71	WAYNE	46,216	90.1%	30
JEFFERSON	42,017	81.9%	54	WILLIAMS	41,204	80.4%	60
KNOX	45,547	88.8%	36	WOOD	57,230	111.6%	8
LAKE	51,308	100.1%	15	WYANDOT	39,668	77.4%	70
LAWRENCE	40,617	79.2%	65				
LICKING	50,022	97.5%	19	TOTAL	\$51,279	100.0%	

Note: Includes only returns indicating a county residence.



Individual Income Tax – School District

School districts' ability to levy an income tax dates back to 1979, when the Ohio General Assembly permitted such a tax solely to repay a state loan. Two years later, lawmakers repealed this law, which had not been used, and enacted Chapter 5748, granting broader authority for school districts to levy an income tax, subject to voter approval. In 1983, after voters in six districts approved such taxes, the legislature blocked other districts from enacting new income taxes by repealing most of the chapter. School districts' ability to enact income taxes was restored in 1989.

During fiscal year 2010, 178 of Ohio's 614 school districts levied the tax. In most districts the tax applies to Ohio taxable income, as reported on line 5 of Ohio individual income tax form IT 1040 or IT 1040 EZ; this base is known as the "traditional" tax base. In certain other districts, the tax only applies to earned income, such as wages, salary and self-employment income.

The Department of Taxation administers the school district income tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During fiscal year 2010, total net collections for all districts were approximately \$297.2 million, after deductions for administrative costs and refunds.

Taxpayer

(Ohio Revised Code 5748.01)

The tax applies to every individual residing in a school district that imposes the tax. In districts that use the traditional tax base, the tax is also paid by the estates of persons who, at the time of their death, were residing in such a school district.

Tax Base

(R.C. 5748.01)

"Traditional base" school districts

The "traditional base" of the tax is Ohio taxable income – meaning, Ohio adjusted gross income, less \$1,550 for each personal and dependent exemption claimed on the Ohio individual income tax return for 2009. The value of these exemptions is indexed to inflation.

"Earned income only" school districts

As of the end of the 2009 fiscal year, voters in 19 school districts had approved income taxes that only apply to earned income. Earned income includes wages, salaries, tips and other employee compensation as well as self-employment income from sole proprietorships, partnerships and limited liability companies treated as partnerships for income tax purposes. Earned income does not include retirement income, lottery winnings, interest, dividends, capital gains,

profit from rental activities, distributive shares of profit from S corporations, and any other unearned income.

Most exemptions and deductions permitted for the federal and state income taxes – such as those claimed on the front page of IRS form 1040 or on Schedule A of the Ohio IT 1040 – are not permitted for the "earned income only" version of the school district income tax. However, military pay received by the taxpayer while stationed outside Ohio is exempt from the tax.

Rates

(R.C. 5748.02)

Rates are proposed by the school district board of education and must be approved by voters in the school district. Rates are set in increments of 0.25 percent. During fiscal year 2009, rates ranged from 0.5 percent to 2 percent.

Special Provisions

Senior citizen credit (R.C.5748.06)

A taxpayer 65 years of age or older during the taxable year receives a \$50 credit against the amount of school district income tax due. Only one credit is allowed for each return.

Filing and Payment Dates

(R.C. 5747.06 – 5747.09)

Individuals and estates

- Calendar year taxpayers file an annual return between Jan. 1 and April 15.
- Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
- Taxpayers must make quarterly estimated payments if they expect to be under-withheld by more than \$500 on the combined school district and state individual income taxes. For calendar year taxpayers, quarterly payments of the tax must be made on or before April 15, June 15, and Sept. 15 of the current year and Jan. 15 of the next year. For fiscal year taxpayers, quarterly payments of tax must be made on the 15th day of the fourth, sixth, and ninth months of the fiscal year and on the 15th day following the end of the fiscal year.

Employers

- If the employer remits on a quarterly basis for state income tax purposes, payment is due for both the state and school district income taxes by the last day of the month following March, June, September, and December.
- If the employer remits on a monthly basis or by electronic funds transfer for state income tax purposes,

remittances of school district income taxes withheld are made within 15 days after the end of each month.

Disposition of Revenue

(R.C. 5747.03)

Collections are deposited into the School District Income Tax Fund for distribution to school districts, less 1.5 percent retained for state administrative purposes. Deposited amounts accrue interest. Distributions are made to school districts on the last day of April, July, October, and January. Payments are for the net amount in each school district's account, after refunds and administrative fees, as of the end of the prior calendar quarter.

Administration

The Department of Taxation collects and administers the tax for school districts and makes quarterly distributions of revenue.

Ohio Revised Code Citations

Chapters 5747 and 5748.

Recent Legislation

House Bill 148 of the 128th General Assembly amended Revised Code 5748.02

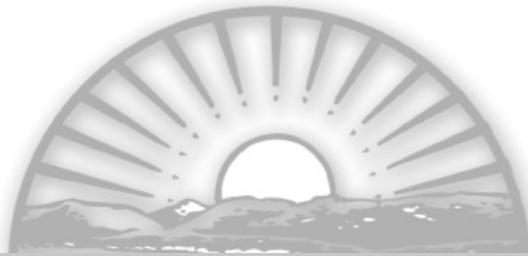
This act changes from 75 to 90 days the minimum period prior to a general election for filing resolutions to be put on the ballot relating to school district income tax. The Bill also lengthened the period of time from 90 to 105 days for boards of education to file adopted resolutions with the appropriate county auditor and with the Tax Commissioner.

Public Law 111-97 (the "Military Spouses Residency Relief Act," effective Nov. 11, 2009)

This act of Congress amended the "Service Members Civil Relief Act" to extend the principle of domicile that applies to service members to their spouses as well. Starting with tax years that begin Jan. 1, 2009, an individual who resides in a taxing jurisdiction solely due to the military orders of his/her spouse – and who is domiciled in another jurisdiction that is the same jurisdiction as his/her military spouse – remains subject to income tax in the jurisdiction of their domicile and is exempt from income tax in the jurisdiction where he/she is living with their service member spouse.

Table

	School District Income Tax Collections by Fiscal Year: 2005-2010					
	2005	2006	2007	2008	2009	2010
"Traditional base" districts	146	152	155	157	153	153
"Earned income only" districts	0	1	9	13	19	25
Total districts levying the tax	146	153	164	170	172	178
Individual Returns	\$64,413,461	\$85,737,114	\$109,112,417	\$115,840,480	\$109,252,212	\$110,540,423
Employer Withholding	132,269,908	150,211,785	178,394,566	220,696,342	223,927,682	214,902,468
Total Collections	\$196,683,370	\$235,948,898	\$287,506,983	\$336,536,822	\$333,179,895	\$325,442,891
Refunds and Administration	\$15,881,773	\$18,218,448	\$20,637,802	\$24,866,366	\$27,588,832	\$28,638,291
Interest Earned	915,517	1,551,584	2,527,516	2,259,576	1,206,431	438,513
Net to School Districts	\$181,717,114	\$219,282,034	\$269,396,698	\$313,930,032	\$306,797,494	\$297,243,112



Kilowatt-Hour Tax

The kilowatt-hour tax was created by the Ohio General Assembly in 2001 as part of a broader legislative effort to deregulate electric utilities. The tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It was also designed to replace revenues lost from the reduction of assessment rates on electric and rural electric tangible personal property.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. The tax has tiered rates that vary according to the kilowatt-hour consumption of individual end users of electricity. For certain large consumers of electricity, a self-assessor option exists that is partially based on price and partially based on consumption. Companies that provide both electric and other services must separate the charges for electricity from the other services they provide.

The tax is paid monthly. During fiscal year 2010, the tax generated approximately \$518.4 million in total revenue.

Taxpayer

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year. Self-assessing purchasers must qualify and register to self-assess the tax.

Tax Base

(Ohio Revised Code 5727.81)

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio:

- for end users at or below 45 million kWh in annual consumption, the base is the amount of kilowatt hours distributed per month.
- for end users above 45 million kWh of annual consumption who opt to self-assess, the tax is partially based on the number of kilowatt-hours distributed per month and partially based on the total price per month. The consumption portion of this base is capped at the first 504 million kWh distributed to the self-assessing purchaser during each registration year.

Rates

(R.C. 5727.81)

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered ac-

ording to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
The first 0 – 2,000 kWh	0.465 cents
The next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

End users above 45 million kWh in annual consumption may register to self-assess the tax. This self-assessor tax is calculated as the sum of 3.5 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption.

This self-assessment calculation is scheduled to change. Starting Jan. 1, 2011, the price-based portion of the tax will be dropped. Instead, self-assessors will pay 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million (see **Recent Legislation**).

Exemptions

(R.C.5727.80, 5727.81)

The kWh tax does not apply to:

- the federal government;
- end users located at a federal facility that uses electricity to process uranium;
- qualified use of electricity by qualified end users in qualified manufacturing processes; and
- qualified regeneration facilities.

Credits

None.

Special Provisions

In cases where self-assessing purchasers are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality rather than the state.

Filing and Payment Dates

(R.C. 5727.82)

For kilowatt-hour and self-assessing taxpayers, the filing date is the 20th day of each month. Payments reflect the amount of electricity distributed to the end users during the preceding month.

To register as a self-assessing purchaser, end users must submit an application and pay a \$500 fee before May 1. The registration year begins on May 1 and ends on the following April 30.

Disposition of Revenue

(R.C. 5727.84)

Since January 2008, state law has called for funds to be distributed according to the following schedule:

Fund	Percentage
General Revenue Fund	63%
School District Property Tax Replacement Fund	25.4
Local Government Property Tax Replacement Fund	11.6
Total Distribution	100%

When obligations to school districts have been met, excess revenues in the School District Property Tax Replacement Fund are to be transferred by the Office of Budget and Management to the half-mill equalization fund. Amounts in excess of that required to make the payments described in R.C. 3318.18 are then to be transferred to the General Revenue Fund.

Administration

The Tax Commissioner administers the kilowatt-hour tax and makes revenue payments to the various funds.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 1, 128th General Assembly

Change to self-assessment computation – H.B. 1 amended R.C. 5727.81 to eliminate the price component of the self-assessment calculation and modify the calculation of tax liability for end users who elect to self-assess. Effective Jan. 1, 2011, end users who self-assess will pay 0.257 cents per kWh on the first 500 million kWh consumed annually and 0.1832 cents per kWh for each kWh in excess of 500 million kWh consumed.

Table

Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2006 - 2010							
Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund ¹	Local Government Revenue Assistance Fund	Public Library Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2006	\$557,166,445	\$325,307,962	\$22,493,535	\$3,213,362	\$0	\$141,520,356	\$64,361,229
2007	559,691,878	326,929,075	22,493,535	3,213,362	0	142,161,737	64,924,258
2008	570,676,257	231,217,687	6,232,333	890,333	121,218,846	144,915,698	66,201,360
2009	544,575,469	135,956,975	0	0	207,084,157	138,354,866	63,179,471
2010	518,409,440	156,289,002	0	0	170,308,945	131,675,998	60,135,495

Source: State of Ohio accounting system.

¹ One-half of all General Revenue Fund transfers to the Public Library Fund are credited against kilowatt-hour tax GRF revenue.



Motor Vehicle Fuel Tax

An excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used to generate power for the operation of motor vehicles.

The motor fuel excise tax rate has been 28 cents per gallon since July 1, 2005. This 28 cents per gallon rate is actually composed of five separate levies, each subject to a different distribution formula. The Ohio Constitution requires that revenue from the tax be used for highway construction, traffic enforcement and certain other activities.

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In fiscal year 2010, the reported net motor fuel tax collections totaled approximately \$1,782 million after refunds.

In addition, a motor fuel use tax is imposed on operators of motor vehicles with three or more axles, or weighing more than 26,000 pounds gross vehicle weight, for fuel purchased outside the state and consumed in Ohio. The use tax rate in FY 2010 was 28 cents per gallon.

Taxpayer

(Ohio Revised Code 5735.01)

The excise tax applies to dealers who:

- import motor fuel from another state or foreign country or acquire motor fuel by any means into a terminal in this state;
- import motor fuel from another state or foreign country in bulk lot vehicles for subsequent sale and distribution in this state from bulk lot vehicles;
- refine motor fuel in this state;
- acquire motor fuel from a motor fuel dealer for subsequent sale and distribution in this state from bulk lot vehicles; or
- possess an unrevoked permissive motor fuel dealer's license.

The motor fuel use tax applies to operators of motor vehicles with three or more axles or weighing more than 26,000 pounds gross vehicle weight.

Tax Base

(R.C. 5735.06)

The base of the tax is gallons of motor vehicle fuel sold, used, or distributed in Ohio.

Rates

The overall rate of 28 cents per gallon is actually composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest, currently set at 15 cents – is specifically identified as the “cents per gallon

rate” in Ohio law because it was once adjusted annually for inflation by the Tax Commissioner.

All five levies are shown in the table below:

R.C. section	Rate per gallon
5735.30	1 cent
5735.05	2 cents
5735.25	2 cents
5735.29	8 cents
5735.05	15 cents
Total:	28 cents

Deductions, Refunds, and Credits

Deductions (R.C. 5735.05 and 5735.06)

Dealers may deduct the following from their total gallons sold:

- motor fuel – other than gasoline and clear diesel fuel – sold for uses other than operating motor vehicles on public highways or on waters within Ohio;
- motor fuel sold by licensed wholesale dealers to other licensed wholesale dealers;
- motor fuel exported to other states or foreign countries;
- motor fuel sold for exclusive use of the U.S. government or its agencies;
- motor fuel being transported as part of an export sale;
- motor fuel sold exclusively for the propulsion of aircraft; and
- motor fuel sold for use in vessels if such use would otherwise qualify for a refund under R.C. 5735.14.

Shrinkage allowance (R.C. 5735.06)

In addition, licensed motor fuel dealers receive a discount intended to cover “evaporation, shrinkage, or other unaccounted-for losses.” An uncodified provision of House Bill 119, enacted in mid-2007 by the 127th General Assembly, set this “shrinkage allowance” at the following levels for fiscal years 2008-09:

- licensed distributors received a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation.
- retailers received a 0.5 percent discount on gallons of fuel purchased from licensed distributors for fuel lost through shrinkage and evaporation. This discount is received in the form of a refund.

These shrinkage allowances were extended for an additional two years (fiscal years 2010-11) by House Bill 2 of the 128th General Assembly.

The 127th General Assembly had also granted licensed distributors a temporary additional 0.9 percent “administration” discount on total gallons received for fiscal years 2008-09, but this additional discount came to an end after fiscal year 2009. **Refunds** (R.C. 5735.13, 5735.14, 5735.141, 5735.142, 5735.18 and 5734.29)

Persons who have purchased motor vehicle fuel on which the fuel tax has been paid may receive a refund when:

- the motor fuel was used to operate or propel stationary gasoline engines, tractors used for off-highway purposes, or unlicensed motor vehicles used exclusively in intra-plant operations;
- the motor fuel was used by watercraft devoted entirely to commercial purposes such as trade or fishing; by vessels used in Boy Scout training; by vessels used or owned by railroad car ferry companies; or by vessels used or owned by federal, state, and local governments;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems;¹
- the motor fuel was used in aircraft;
- the motor fuel was lost or destroyed through fire, explosion, lightning or other natural disasters; or
- any person, other than a dealer, sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies.

Also, a city, an exempted village, a joint vocational or local school district, an educational service center, or a county board of developmental disabilities may be reimbursed for 6 cents per gallon of the total Ohio motor fuel tax paid on the fuel.

Special Provision

Fuel Use Tax (Chapter 5728)

The Ohio motor vehicle fuel use tax is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. The use tax rate has been 28 cents since July 1, 2005. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund. During fiscal year 2010, \$38.1 million was collected from the fuel use tax. This revenue is dedicated to the Highway Operating Fund.

Filing and Payment Dates

(R.C. 5735.06)

Taxpayers must submit returns by the last day of each month for the preceding month’s tax liability. The returns are filed with the Department of Taxation.

Disposition of Revenue

The motor vehicle fuel tax is composed of five separate levies, with revenue for each distributed by the Department of Taxation monthly in a different manner.

Before any other distributions are made, the Treasurer of State deposits the first 2 per cent of the motor fuel tax received for the preceding calendar month to the state Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles.² After the Highway Safety Fund distribution and applicable refunds to taxpayers, the following distributions are made from all five levies:

- the Waterways Safety Fund receives 0.875 percent (R.C. 5735.051).
- the Wildlife Boater Angler Fund receives 0.125 percent (R.C. 5735.051).
- the amount needed to ensure that there are sufficient funds to meet all payments for highway bond retirement is transferred.
- five cents for each gallon sold at stations operated by the Ohio Turnpike Commission is transferred to the commission (R.C. 5735.23).
- the Motor Fuel Tax Administrative Fund receives 0.275 percent.

The remainder of each of the state’s five motor fuel tax levies is distributed as described below:

2 cents per gallon (R.C. 5735.05, 5735.23) – Revenue from this levy and the 15 cents-per-gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes $\frac{2}{17}$ of the monthly \$100,000. The remaining revenue is distributed as follows:

- 30 percent to municipal corporations in proportion to their motor vehicle registrations;³
- 25 percent to all counties in equal amounts;³
- 45 percent to the state.

2 cents per gallon (R.C. 5735.25, 5735.26, 5735.27) – Revenue is distributed as follows:

- 67.5 percent to the state;
- 7.5 percent to all counties in equal amounts;³
- 17.5 percent to all townships in equal amounts;³
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.³

8 cents per gallon (R.C. 5735.29, 5735.291) – Some 81.25 percent of this levy is to the State Highway Operating Fund. The remaining 18.75 percent is distributed to the Gasoline Excise Tax Fund. From this fund:

- 42.86 percent distributed to municipalities in proportion to their share of motor vehicle registrations;
- 37.14 percent distributed to all counties in equal amounts; and
- 20 percent distributed to all townships by the greater of either the equal share of the total amount allocated to all townships or a proportionate share based on township lane miles and the township’s proportion of motor vehicle registrations.

1 cent per gallon (R.C. 5735.30) – All revenue is distributed to the state for highway bond retirement funds, as long as this funding is required. Thereafter, all revenue is directed to the

¹ Revenue from the one-cent per gallon levy used in part to retire highway bonds is not refunded to transit systems.

² This practice began at the start of the 2010 fiscal year as a result of House Bill 1, enacted by the 128th General Assembly. It replaced a monthly distribution of up to \$1.6 million during fiscal years 2008 and 2009, spelled out in uncodified law (section 209.10 of House bills 67 and 119 of the 127th General Assembly).

³ Proceeds are deposited by the state in the Gasoline Excise Tax Fund and distributed monthly to the counties, townships, and municipalities.

State Highway Operating Fund.

15 cents per gallon ("cents per gallon tax;" R.C. 5735.05, 5735.23) – One cent from each gallon is transferred to the Local Transportation Improvement Program Fund. Revenue from this levy and the first 2 cents-per-gallon levy together make up the \$100,000 that is transferred monthly to the Grade Crossing Fund; this levy contributes ¹⁵/₁₇ of \$100,000. The balance is distributed as follows:

- 75.0 percent to the state;
- 10.7 percent to municipalities in proportion to their motor vehicle registrations;¹
- 9.3 percent to all counties in equal amounts;¹
- 5.0 percent to all townships in equal amounts.¹

Administration

The motor vehicle fuel excise tax and the motor fuel use tax are administered by the Tax Commissioner.

Ohio Revised Code Citations

Chapters 5728 and 5735.

Recent Legislation

House Bill 1, 128th General Assembly (budget provisions effective July 17, 2009; other provisions effective on Oct. 16, 2009 or on other dates)

Highway Safety Fund distribution made permanent – Uncodified section 506.20 of the bill requires that, starting in fiscal year 2010, the first 2 per cent of motor fuel tax revenue received in the prior month be distributed to the state Highway Safety Fund to defray the costs of administration and enforcement of motor vehicle registration and operation laws. This provision replaces a temporary law (section 209.10 of House Bill 67 and House Bill 119 of the 127th General Assembly) that called for monthly distributions of up to \$1.6 million to the fund during fiscal years 2008 and 2009.

House Bill 2, 128th General Assembly (effective July 1, 2009; certain provisions effective on other dates)

Shrinkage allowance – Section 757.10 of the bill set shrinkage allowances at the same levels for 2010-11 as were in place for fiscal years 2008-09. Licensed distributors receive a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation. Retailers receive a 0.5 percent discount on gallons of fuel purchased from licensed distributors.

Table 1

Motor Vehicle Fuel Tax Gross Collections Reported on Tax Returns, Refunds and Net Tax After Refunds, Fiscal Years 2006-2010			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
2006	\$1,861,064,599	\$24,521,321	\$1,836,543,278
2007	1,870,645,500	23,785,500	1,846,860,000
2008	1,840,101,163	20,902,540	1,819,198,623
2009	1,781,875,055	19,858,314	1,762,016,741
2010	1,799,719,997	18,092,998	1,781,626,999

Source: Department of Taxation, as reported on tax returns.

Table 2

Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2006-2010					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Gasoline	5,103,346,287	5,098,793,739	5,011,225,903	4,947,371,191	4,970,761,774
Special Fuels ¹	1,543,938,210	1,579,493,298	1,568,327,418	1,429,969,330	1,441,256,585
Total	6,647,284,497	6,678,287,037	6,579,553,321	6,377,340,521	6,412,018,359

¹ Includes diesel fuel (clear and dyed), kerosene, biodiesel, and propane fuel used to operate motor vehicles on public highways and waterways.

Table 3

Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County, Calendar Year 2010										
County	Amount Distributed To:			County	Amount Distributed To:			County	County	Total
	County	Townships	Municipalities		Townships	Municipalities	Total			
ADAMS	\$2,331,703	\$1,299,477	\$292,655	\$3,923,835	LOGAN	\$2,331,703	\$1,475,454	\$789,452	\$4,596,608	
ALLEN	2,331,703	1,144,950	1,848,293	5,324,946	LORAIN	2,331,703	1,584,451	7,437,304	11,353,457	
ASHLAND	2,331,703	1,299,477	956,371	4,587,551	LUCAS	2,331,703	1,222,037	10,753,797	14,307,536	
ASHTABULA	2,331,703	2,347,165	1,711,968	6,390,835	MADISON	2,331,703	1,212,845	678,036	4,222,584	
ATHENS	2,331,703	1,225,489	650,554	4,207,746	MAHONING	2,331,703	1,654,416	3,306,222	7,292,341	
AUGLAIZE	2,331,703	1,212,845	1,068,020	4,612,569	MARION	2,331,703	1,302,620	1,254,164	4,888,487	
BELMONT	2,331,703	1,419,525	1,148,565	4,899,793	MEDINA	2,331,703	1,553,167	2,947,592	6,832,462	
BROWN	2,331,703	1,387,106	486,909	4,205,718	MEIGS	2,331,703	1,039,918	221,104	3,592,725	
BUTLER	2,331,703	1,724,205	6,064,876	10,120,784	MERCER	2,331,703	1,212,845	812,734	4,357,282	
CARROLL	2,331,703	1,222,147	199,006	3,752,856	MIAMI	2,331,703	1,047,977	2,413,329	5,793,009	
CHAMPAIGN	2,331,703	1,039,582	612,749	3,984,034	MONROE	2,331,703	1,559,373	153,759	4,044,835	
CLARK	2,331,703	1,033,610	2,170,471	5,535,783	MONTGOMERY	2,331,703	1,172,027	13,832,648	17,336,378	
CLERMONT	2,331,703	1,761,826	813,361	4,906,889	MORGAN	2,331,703	1,212,845	114,585	3,659,133	
CLINTON	2,331,703	1,126,214	747,785	4,205,702	MORROW	2,331,703	1,386,109	252,406	3,970,218	
COLUMBIANA	2,331,703	1,623,027	1,607,892	5,562,621	MUSKINGUM	2,331,703	2,203,222	1,102,068	5,636,992	
COSHOCTON	2,331,703	1,905,900	544,058	4,781,661	NOBLE	2,331,703	1,299,477	103,189	3,734,369	
CRAWFORD	2,331,703	1,386,109	996,919	4,714,731	OTTAWA	2,331,703	1,039,582	602,570	3,973,854	
CUYAHOGA	2,331,703	189,677	36,710,150	39,231,529	PAULDING	2,331,703	1,039,582	307,451	3,678,735	
DARKE	2,331,703	1,741,885	951,677	5,025,264	PERRY	2,331,703	1,212,845	426,398	3,970,946	
DEFIANCE	2,331,703	1,039,582	738,579	4,109,863	PICKAWAY	2,331,703	1,299,477	788,360	4,419,540	
DELAWARE	2,331,703	1,792,948	1,694,667	5,819,318	PIKE	2,331,703	1,212,845	231,621	3,776,170	
ERIE	2,331,703	814,233	1,709,983	4,855,919	PORTAGE	2,331,703	1,608,337	2,366,550	6,306,589	
FAIRFIELD	2,331,703	1,283,310	2,149,599	5,764,613	PREBLE	2,331,703	1,039,582	703,913	4,075,198	
FAYETTE	2,331,703	866,318	522,733	3,720,754	PUTNAM	2,331,703	1,299,477	642,530	4,273,710	
FRANKLIN	2,331,703	1,588,435	35,309,555	39,229,693	RICHLAND	2,331,703	1,623,905	2,565,852	6,521,460	
FULTON	2,331,703	1,052,296	783,535	4,167,534	ROSS	2,331,703	1,418,961	963,312	4,713,976	
GALLIA	2,331,703	1,300,790	200,358	3,832,851	SANDUSKY	2,331,703	1,051,988	1,031,986	4,415,678	
GEAUGA	2,331,703	1,531,128	496,980	4,359,811	SCIOTO	2,331,703	1,418,328	809,354	4,559,385	
GREENE	2,331,703	1,066,515	3,940,706	7,338,924	SENECA	2,331,703	1,299,477	1,191,146	4,822,326	
GUERNSEY	2,331,703	1,646,890	529,082	4,507,675	SHELBY	2,331,703	1,212,845	1,074,873	4,619,421	
HAMILTON	2,331,703	2,036,182	15,891,619	20,259,504	STARK	2,331,703	2,387,581	5,555,595	10,274,879	
HANCOCK	2,331,703	1,486,866	1,777,926	5,596,495	SUMMIT	2,331,703	973,612	14,702,597	18,007,912	
HARDIN	2,331,703	1,299,477	544,369	4,175,549	TRUMBULL	2,331,703	2,285,510	3,414,070	8,031,284	
HARRISON	2,331,703	1,299,477	269,040	3,900,220	TUSCARAWAS	2,331,703	1,913,894	2,029,085	6,274,681	
HENRY	2,331,703	1,126,214	564,287	4,022,203	UNION	2,331,703	1,214,041	782,721	4,328,465	
HIGHLAND	2,331,703	1,477,318	476,255	4,285,276	VAN WERT	2,331,703	1,039,582	514,017	3,885,301	
HOCKING	2,331,703	962,426	278,446	3,572,576	VINTON	2,331,703	1,039,582	116,472	3,487,757	
HOLMES	2,331,703	1,212,845	187,173	3,731,721	WARREN	2,331,703	1,280,861	3,182,672	6,795,237	
HURON	2,331,703	1,646,004	1,349,584	5,327,291	WASHINGTON	2,331,703	1,917,326	868,731	5,117,760	
JACKSON	2,331,703	1,039,582	485,546	3,856,831	WAYNE	2,331,703	1,407,925	1,971,494	5,711,122	
JEFFERSON	2,331,703	1,232,122	1,298,425	4,862,250	WILLIAMS	2,331,703	1,039,582	754,718	4,126,002	
KNOX	2,331,703	1,916,937	710,386	4,959,026	WOOD	2,331,703	1,734,822	2,543,161	6,609,686	
LAKE	2,331,703	587,338	6,053,402	8,972,443	WYANDOT	2,331,703	1,126,214	507,196	3,965,112	
LAWRENCE	2,331,703	1,253,606	720,273	4,305,582						
LICKING	2,331,703	2,209,388	3,170,916	7,712,006	TOTAL	\$205,189,856	\$120,134,987	\$238,256,535	\$563,581,379	

Source: Records of the Department of Taxation.



Municipal Income Tax for Electric Light Companies and Local Exchange Telephone Companies

The municipal income tax for electric light companies and local exchange telephone companies, set out in Chapter 5745 of the Ohio Revised Code, was enacted by the Ohio General Assembly in 2000. This tax is sometimes referred to as the “Chapter 5745 municipal income tax” to distinguish it from the conventional municipal income tax, which is enacted and administered by various Ohio cities and villages per Chapter 718 of the Revised Code. The Chapter 5745 municipal income tax applies only to electric light companies and local exchange telephone companies. It is administered by the Ohio Department of Taxation.

“Electric light companies” – meaning, electric companies and certain marketers and brokers of electricity – were first subject to the Chapter 5745 tax for their taxable year that included Jan. 1, 2002. The tax began to apply to local exchange telephone companies two years later, starting with the taxable year that included Jan. 1, 2004.

Before the enactment of Chapter 5745, only certain marketers and brokers of electricity – defined by the Revised Code as “an electric light company that is not an electric company” – were subject to traditional municipal income taxes. Such marketers and brokers of electricity may elect to be subject to the state-administered tax (Chapter 5745). Otherwise, they remain subject to the conventional municipal income tax enacted by each municipality in which the entity has taxable nexus (Chapter 718). For details, see Special Provisions.

The municipal income tax for electric light companies and local exchange telephone companies generated \$21.3 million in revenue in calendar year 2010 on returns filed for taxable year 2009, the last year for which such information is available.

Taxpayer

(Ohio Revised Code 5745.01)

Chapter 5745 taxpayers include:

- Electric companies. A person is an electric company when engaged in the business of generating, transmitting, or distributing electricity within Ohio for use by others. This definition does not include rural electric companies (R.C. 5727.01(D)(3));
- Combined companies. A person is a combined company when engaged in the activity of an electric company or rural electric company, and in the activity of a heating company or a natural gas company, or any combination thereof (R.C. 5727.01(L));
- Certain marketers or brokers of electricity that meet the requirements and make the election set out in R.C. 5745.031; and

- Local exchange telephone companies. A person is a “telephone company” when primarily engaged in the business of providing local exchange telephone service, excluding cellular radio service, in Ohio (R.C. 5727.01(D)(2)).

Tax Base

The “starting point” for Chapter 5745 municipal income taxpayers is federal taxable income. After making certain adjustments to federal taxable income (described below), the taxpayer computes Ohio income by multiplying the taxpayer’s adjusted federal taxable income by the taxpayer’s Ohio apportionment ratio. Then, municipal income is computed for each municipality that has enacted an income tax and in which the company has taxable nexus by multiplying Ohio income by the taxpayer’s apportionment ratio for that municipality. Finally, municipal income tax liability is determined by multiplying the income apportioned to each municipality by the municipality’s income tax rate.

Ohio Apportionment Ratio

The Chapter 5745 Ohio apportionment ratio is computed in a manner similar to the Ohio corporation franchise tax apportionment ratio. But, unlike the franchise tax property, payroll and sales factors, the Chapter 5745 property, payroll and sales factors are equally weighted.

Municipal Apportionment Ratio

For purposes of determining the taxpayer’s apportionment ratio for each municipality, the taxpayer’s property, payroll and sales are generally situated consistent with the franchise tax siting provisions. However, for purposes of the municipal payroll factor, compensation is situated based upon the amount of compensation that is earned in the municipality for services performed for the taxpayer by the taxpayer’s employees, and that is subject to income tax withholding by the municipality.

Taxable Year

For Chapter 5745 municipal income tax purposes, a taxpayer’s taxable year is the same as the taxpayer’s taxable year for federal income tax purposes, regardless of when during the taxable year the taxpayer first entered Ohio as a taxpayer and regardless of when during the taxable year the municipal income taxpayer first became subject to the Chapter 5745 tax in a particular municipality.

Adjustments to Federal Taxable Income

Net intangible income (R.C. 5745.01(G)(1) and (G)(2)) – Taxpayers may deduct intangible income as defined in R.C. 718.01, less expenses incurred in the production of such intangible income, to the extent that the income and expenses are used in determining federal taxable income. Intangible income is generally not part of the municipal income tax base.

Book-tax difference – Both electric companies and telephone companies must compute a book-tax difference adjustment which is either added to or subtracted from federal taxable income. For details, see the instructions on the department's Web site, tax.ohio.gov.

Tax Rates

Tax rates are the same as those established locally by each city or village that imposes a municipal income tax. The rate that applies is the rate that was in effect as of Jan. 1 of the taxable year. If a taxpayer's taxable year is for a period of less than 12 months and does not include Jan. 1, then the rate that applies is the rate that was in effect on Jan. 1 of the preceding taxable year.

Credits

If the taxpayer has an interest in a pass-through entity that is also subject to and has paid the Chapter 5745 municipal income tax, then the taxpayer may claim a credit against its own Chapter 5745 liability. The credit equals the taxpayer's proportionate share of the tax due from, or paid by, the qualifying pass-through entity, whichever is less.

Special Provisions

Taxpayer elections – An "electric light company that is not an electric company" may elect to be a taxpayer under Chapter 5745 if, during the company's most recently concluded taxable year, at least 50 percent of the company's total sales in Ohio, as determined under R.C. 5733.059, consist of sales of electricity and other energy commodities. The election is effective for five consecutive taxable years and, once made, is irrevocable for those five years. An "electric light company that is not an electric company" that does not make this election remains subject to the conventional municipal income tax as enacted by the municipalities with which the entity has taxable nexus (Chapter 718).

Qualified subchapter S subsidiaries – If an electric company or a telephone company is a qualified subchapter S subsidiary as defined in Internal Revenue Code (I.R.C.) section 1361 or a disregarded entity, the company's parent S corporation or owner is the taxpayer for the purposes of the municipal income tax.

Combined companies (R.C. 1701.18(F)(6)) – If the taxpayer is a "combined company," it must adjust the numerator of its municipal property, payroll, and sales factors (but not the numerator of its Ohio property, payroll, and sales factors) to include only the company's activity as an electric company. This is so because only a combined company's income from its activity as an electric company is subject to taxation by a municipal corporation.

Alternative apportionment methods – If the standard provisions for apportioning adjusted federal taxable income to Ohio or for apportioning Ohio net income to an Ohio municipality do not fairly represent the extent of a taxpayer's business activity in Ohio or Ohio's municipalities, the taxpayer may request, or the Tax Commissioner may require, that the taxpayer's adjusted federal taxable income or Ohio net income be determined by an alternative method, including any of the alternative methods set out in R.C. 5733.05(B)(2)(d).

Municipality cannot require tax return (R.C. 5745.02(E)) – A municipality that has enacted an income tax cannot require a Chapter 5745 municipal income taxpayer to file a municipal income tax return for that municipality. However, to the extent necessary for a municipality to compute a taxpayer's property, payroll, and sales factors for that municipality, the municipality may require the taxpayer to report to the municipality the value of the taxpayer's real and tangible personal property situated in the municipality, the taxpayer's compensation paid to its employees in the municipality, and the taxpayer's sales made in the municipality.

Filing and Payment Dates

Estimated payment requirements

For each taxable year, each taxpayer must file a declaration of estimated tax report and make payment as follows:

- Not later than the 15th day of the fourth month after the end of the preceding taxable year, the taxpayer must pay at least 25 percent of the combined tax liability for the preceding taxable year, or 20 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the sixth month after the end of the preceding taxable year, the taxpayer must pay at least 50 percent of the combined tax liability for the preceding taxable year, or 40 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the ninth month after the end of the preceding taxable year, the taxpayer must pay at least 75 percent of the combined tax liability for the preceding taxable year, or 60 percent of the combined tax liability for the current taxable year.
- Not later than the 15th day of the 12th month after the end of the preceding taxable year, the taxpayer must pay at least 100 percent of the combined tax liability for the preceding taxable year, or 80 percent of the combined tax liability for the current taxable year.

The term "combined tax liability" means the total of the taxpayer's income tax liabilities to all Ohio municipalities for a taxable year.

Returns and extensions

Returns are due by the 15th day of the fourth month following the end of the taxpayer's taxable year. An extension will be granted if, by that date, the taxpayer filed with the Tax Commissioner a copy of the taxpayer's federal extension. The granting of an extension does not extend the last day for paying taxes without penalty unless the Tax Commissioner extends the payment date.

Payment by electronic funds transfer

If any remittance of estimated Chapter 5745 municipal income tax is for \$1,000 or more, or the amount payable with the report exceeds \$1,000, the taxpayer must make the remittance by electronic funds transfer (EFT).

Disposition of Revenue

Revenue from the Municipal Income Tax Fund is distributed to municipal corporations quarterly, by the first day of March, June, September, and December. The Department of Taxation certifies the amount distributed to each municipality and, to

defray the costs of administering the tax, receives 1.5 percent of collections.

Administration

The municipal income tax for electric light companies and local exchange telephone companies is administered and enforced by the Department of Taxation, rather than by the various Ohio municipalities that have enacted a municipal income tax.

Ohio Revised Code Citations

Chapters 5745, 113, 718, 4928, 5703, 5727, and 5733.

Recent Legislation

House Bill 1, 128th General Assembly (FY 2010-2011 biennium budget bill; budget provisions effective July 17, 2009, other provisions effective Oct. 16, 2009 or on other dates).

Internal Revenue Code (I.R.C.) conformity – H.B. 1 amended R.C. 5701.11 to incorporate into the definition of “Internal Revenue Code as amended” all amendments to the I.R.C. through Oct. 16, 2009. Previously, “Internal Revenue Code as amended” only included amendments through Dec. 30, 2008.

Table

Revenue from Municipal Income Tax For Electric Light Companies and Telephone Companies: Calendar Years 2006 - 2010 (figures in millions)			
Calendar Year	Distribution to Municipalities	Municipal Income Tax Administration Fund	Total
2006	\$31.5	\$0.5	\$32.0
2007	41.2	0.6	41.8
2008	31.2	0.5	31.7
2009	22.5	0.3	22.8
2010	21.1	0.2	21.3



Natural Gas Distribution Tax

The natural gas distribution tax was enacted by the Ohio General Assembly effective July 1, 2001 as part of a larger series of tax changes involving the natural gas industry. The tax was designed to replace the revenue lost by school districts and local governments when the assessment rate on the personal property of natural gas distribution companies was reduced from 88 percent to 25 percent.

During fiscal year 2010, the tax generated approximately \$66.4 million in total revenue.

Taxpayer

The tax is paid by companies that distribute natural gas in Ohio.

Tax Base

(Ohio Revised Code 5727.811)

The base of the tax is the amount of natural gas distributed through the meter of an end user in this state.

Rates

(R.C. 5727.811)

In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user, as measured in 1,000 cubic feet (Mcf):

Distribution to end user	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 or more Mcf per month	4.11 cents

Small distribution companies

A natural gas distribution company with 50,000 or fewer customers may elect to apply the standard rate schedule outlined above to the total amount of natural gas distributed to all its Ohio customers, as if all distribution was made to a single customer. This results in a lower tax rate for the distribution company.

Natural gas distribution companies with 70,000 or fewer customers were granted this same authority effective Oct. 16, 2009 (see **Recent Legislation**).

Flex customers

The rate on natural gas distributed to flex customers is 2 cents per Mcf. A flex customer is an industrial or commercial facility that consumed more than one billion cubic feet of natural gas a year at a single location during any of the

previous five years, or that purchases natural gas distribution services at a discount as part of:

- a special arrangement subject to review and regulation by the Ohio Public Utilities Commission under R.C. 4905.31;
- a special arrangement with a natural gas distribution company pursuant to a municipal ordinance; or
- a variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.

Exemptions

(R.C. 5727.811)

The natural gas distribution tax does not apply to:

- the distribution of natural gas to the federal government;
- natural gas produced by an end user, consumed by that end user or its affiliates, and not distributed through the facilities of a natural gas company.

Filing and Payment Dates

(R.C. 5727.82)

Returns and payments are due according to the following schedule:

Quarterly Returns	Due Date
January - March	May 20
April - June	August 20
July - September	November 20
October - December	February 20

Disposition of Revenue

(R.C. 5727.84 – R.C. 5727.85)

The School District Property Tax Replacement Fund receives 68.7 percent of revenue and the Local Government Property Tax Replacement Fund receives 31.3 percent. When obligations to school districts have been met, excess revenues in the School District Property Tax Replacement Fund are to be transferred by the Office of Budget and Management to the half-mill equalization fund. Amounts in excess of that required to make the payments described in R.C. 3313.18 are then to be transferred to the General Revenue Fund.

Administration

The Tax Commissioner administers the tax and is responsible for the distribution of revenue.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 1, 128th General Assembly

Change to natural gas aggregation rule – Effective Oct. 16, 2009, H.B. 1 granted natural gas distributors with 70,000 or

fewer customers the authority – currently held by natural gas distributors with 50,000 or fewer customers – to pay the rates specified in R.C. 5727.811 on the aggregate, or total, of the natural gas distributed by the company in Ohio.

Table

Natural Gas Distribution Tax Collections and Distributions: Fiscal Years 2006 - 2010			
Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2006	\$69,075,391	\$47,454,794	\$21,620,597
2007	69,278,451	47,594,296	21,684,155
2008	69,635,315	47,839,461	21,795,853
2009	70,853,004	48,676,014	22,176,990
2010	\$66,372,536	\$45,597,932	\$20,774,604



Pass-Through Entity and Trust Withholding Tax

The pass-through entity and trust withholding tax, enacted in 1998, is not so much a separate tax as it is a mechanism designed to collect individual income tax and corporation franchise tax that is otherwise due and payable by equity investors in qualifying pass-through entities.

A pass-through entity is an S corporation, a partnership, or a limited liability company (LLC) treated for federal income tax purposes as either a partnership or an S corporation. Each qualifying pass-through entity doing business in Ohio or otherwise having nexus with Ohio is subject to the pass-through entity withholding tax. Qualifying trusts are also subject to the tax; see Special Provisions for details.

Many pass-through entities are not “qualifying pass-through entities” and therefore are not subject to this tax. Pass-through entities not subject to the tax include entities whose investors are limited to full-year Ohio resident individuals or Ohio resident estates, for example. A more complete listing of exempt pass-through entities is available in Exemptions and Exclusions.

The tax is primarily collected through the use of two forms: form IT 1140 and form IT 4708. An explanation of each follows:

- IT 1140 – The IT 1140 is a withholding form that the qualifying pass-through entity completes and files with the Department of Taxation. Through the IT 1140, a tax of 5 percent is withheld from the income of all qualifying individual investors, and an entity tax is calculated on the income of qualifying investors that are not individuals. The entity tax, historically 8.5 percent, was phased out for most corporate investors as part of the phase-out of the corporation franchise tax (see Entity Tax Phase-Out for Qualifying Investors). When completing their own tax returns, qualifying investors may claim an income tax credit or a corporation franchise tax credit based on the investors’ proportionate share of the pass-through withholding tax and entity tax withheld through the IT 1140.
- IT 4708 – This form is a composite return completed and filed by the pass-through entity on behalf of one or more of the entity’s investors for whom income tax has not been previously withheld. This form is somewhat analogous to an IT 1040; by being included in form IT 4708, nonresident noncorporate investors meet their filing and payment obligation with respect to that income and need not file a separate individual income tax return unless they have other Ohio-source income. On the IT 4708, the tax is calculated at the highest individual income tax rate for the taxable year for which the return is filed. Note: Investors that are C corporations may not be included on the form.

The most recent data for tax collections from qualifying pass-through entities is from taxable and fiscal years 2009. During taxable year 2009, 10,192 pass-through entity taxpayers filed returns on form IT 1140. The total taxable year 2009 pass-through entity tax liability was \$90.5 million.

In addition, IT 4708 returns were filed for the composite income tax paid on behalf of nonresident investors in pass-through entities. Revenue from these returns amounted to \$111.7 million during fiscal year 2009.

Entity Tax Phase-Out for Qualifying Investors

The entity tax that a qualifying pass-through entity must withhold was phased out for qualifying investors that were also subject to the phase-out of the corporation franchise tax. The phase-out schedule is shown in the following table:

Phase-out schedule	
Pass-Through Entity's Taxable Year Beginning in:	Entity Tax Phase-Out Rate
2005	6.8% (80% × 8.5%)
2006	5.1% (60% × 8.5%)
2007	3.4% (40% × 8.5%)
2008	1.7% (20% × 8.5%)
2009 and thereafter	no tax

Note: Fiscal year filers were required to use the rate in effect on the last day of the taxable year.

Certain investors were not subject to the phase-out rates. For these qualifying investors, the pass-through entity must continue to compute the entity tax at the rate of 8.5 percent.

These investors include:

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

The 8.5 percent entity tax rate also continues to apply to investors that are estates, trusts and other pass-through entities.

Taxpayer

(Ohio Revised Code 5733.40, 5747.08)

A qualifying pass-through entity is generally an S corporation, a partnership, or an LLC treated for federal income tax purposes as a partnership or S corporation. See Exemptions and Exclusions for a list of pass-through entities excluded from the definition of a qualifying pass-through entity.

Tax Base

(R.C. 5733.40, 5747.02, 5747.08, 5747.40, 5747.401)

Form IT 1140

The tax base is the net sum of qualifying investors' distributive shares of the pass-through entity's income, gain, expense, and loss apportioned to Ohio. This net sum is known as the "adjusted qualifying amount."

Form IT 4708

The tax base is the distributive shares of the pass-through entity's taxable income to qualifying noncorporate investors, to the extent that such income was not reported on form IT 1140.

Rates

(R.C. 5733.41, 5747.02, 5747.08, 5747.41)

Form IT 1140

A 5 percent withholding tax rate applies to adjusted qualifying amounts for those qualifying equity investors who are individuals.

Before 2005, an 8.5 percent entity tax rate was uniformly applied to adjusted qualifying amounts for those qualifying equity investors that are not individuals. However, this entity tax is being phased out for those "adjusted qualifying amounts" that pertain to qualifying investors subject to the phase-out of the corporation franchise tax. For details and exceptions, see Entity Tax Phase-Out for Qualifying Investors.

No tax is due if the total adjusted qualifying amount is \$1,000 or less.

Form IT 4708

The applicable rate is the highest marginal individual income tax rate, which for the 2009 taxable year was 6.24 percent.

Exemptions and Exclusions

(R.C. 5733.40, 5733.401, 5733.402, 5747.08(D), 5747.401)

Form IT 1140

The following are not qualifying pass-through entities:

- entities having no qualifying investors (see below for a list of investors that do not qualify);
- pension plans and charities;
- publicly-traded partnerships;
- real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
- any entity treated as a "disregarded entity" for federal income tax purposes; and
- qualified subchapter S subsidiary corporations (if the parent S corporation has qualifying investors, the par-

ent S corporation is a pass-through entity which must compute the tax on a consolidated basis with all its qualifying subchapter S subsidiaries).

The following investors are not qualifying equity investors:

- pension plans or charities;
- publicly-traded partnerships;
- colleges or universities;
- corporations exempt from the corporation franchise tax per R.C. 5733.09, including insurance companies, dealers in intangibles, and public utilities subject to the Ohio public utility excise tax;
- financial institutions required to pay the Ohio corporation franchise tax;
- all subchapter C corporations, except for the relatively small number described in R.C. 5733.01(G)(1)(b);
- real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits;
- individuals who are residents of Ohio for the qualifying pass-through entity's entire taxable year;
- estates or trusts that are residents of Ohio for the qualifying pass-through entity's entire taxable year; and
- nonresident individuals on whose behalf the qualifying pass-through entity files Ohio form IT 4708.

Also, pass-through entities that invest in other pass-through entities are not qualifying equity investors if the owners of the investing entity are limited to:

- the types of non-qualifying investors listed above (during the three-year period beginning 12 months prior to the first day of the taxable year); or
- individuals who are full-year residents of Ohio, estates domiciled in Ohio, or nonresident individuals or estates on whose behalf a form IT 4708 is filed for the taxable year.

Also, a corporate investor is not a qualifying equity investor if:

- the investor submits a written statement to the qualifying pass-through entity stating that the investor agrees that the investor has nexus with Ohio and is liable for corporation franchise tax with respect to the investor's distributive share of income attributable to the pass-through entity;
- the investor makes a good faith and reasonable effort to comply with the corporation franchise tax reporting and payment requirements; and
- neither the investor nor the qualifying pass-through entity carries out any transactions that would result in a reduction or deferral of corporation franchise tax.

Also, trusts or funds are not qualifying equity investors if, during the taxable year of the qualifying pass-through entity, their beneficiaries are limited to persons who are or may be:

- beneficiaries of a pension plan trust, profit-sharing trust, a stock bonus plan trust or similar retirement trust;
- beneficiaries of or the recipients of payments from a trust or fund that is a nuclear decommissioning reserve fund, a designated settlement fund, or any other similar

trust or fund established to resolve and satisfy injury claims; or

- beneficiaries of a complex trust, but only if the trust irrevocably agrees in writing that, for the taxable year during or for which the trust distributes any of its income to any of its beneficiaries who are individuals residing outside Ohio, the trust will withhold tax as required under R.C. 5747.41 through 5747.453.

Also “investment pass-through entities” (see Special Provisions, below) are not qualifying equity investors if the investment pass-through entity provides to the qualifying pass-through entity the name, address, and Social Security number of each person who has an equity investment in the investment pass-through entity.

Form IT 4708

The following investors may not be included in form IT 4708:

- C corporations subject to the corporation franchise tax;
- an investor that is a trust to the extent that any direct or indirect, current, future, or contingent beneficiary of the trust is a C corporation subject to the corporation franchise tax;
- an investor that is itself a pass-through entity to the extent that any direct or indirect investor in that pass-through entity is a C corporation subject to the corporation franchise tax.

Special Provisions

(R.C. 5747.08)

Form IT 1140

Qualifying trusts – Qualifying trusts are also subject to the 5 percent withholding tax. A qualifying trust is generally any trust that meets all four of the following tests:

- it is required to file IRS form 1041;
- it has at least one beneficiary who is neither a full-year Ohio resident individual nor an Ohio resident estate;
- it makes a distribution to a nonresident beneficiary; and
- the distribution relates either to real estate located in Ohio or to tangible personal property located in Ohio.

If an entity is a trust whose beneficiaries are limited to full-year Ohio resident individuals or Ohio resident estates, then it is not a qualifying trust and is not subject to the pass-through entity tax. The filing, payment, and credit provisions that apply to qualifying pass-through entities and investors also apply to qualifying trusts and beneficiaries.

Pass-through to pass-through – The 8.5 percent entity withholding tax does not apply to any pass-through entity to the extent that the pass-through entity’s distributive shares of income and gains pass through from that entity to another pass-through entity (referred to as the “investing entity”), as long as four conditions are met by the investing entity:

- it is not an “investment pass-through entity” (see below);
- it acknowledges that it has nexus with Ohio during the taxable year;
- it makes a good faith effort to comply with the 8.5 percent entity tax or the 5 percent withholding tax, as applicable; and

- it includes in its apportionment factors its proportionate share of each lower-tiered pass-through entity’s property, payroll, and sales.

Investment pass-through entities – Neither the 8.5 percent entity tax nor the 5 percent withholding tax applies to the items and income, listed below, that are earned by an “investment pass-through entity.” An investment pass-through entity is a pass-through entity having at least 90 percent of its assets represented by intangible assets and having at least 90 percent of its gross income from one or more of the following sources: dividend income, interest income, net capital gains from the sale or exchange of intangible property, certain fees, and all types and classifications of income and gain attributable to distributive shares of income and gain from other pass-through entities.

Investment pass-through entity investors – An investor in an investment pass-through entity is deemed to be an investor in any other qualifying pass-through entity in which the investment pass-through entity is a direct investor. Each deemed investor’s portion of such qualifying pass-through entity’s adjusted qualifying amount is the product of the adjusted qualifying amount that would otherwise pass-through to the investment pass-through entity, multiplied by the percentage of the deemed investor’s direct ownership in the investment pass-through entity.

Form IT 4708

A pass-through entity cannot claim nonbusiness exemptions or nonbusiness credits, such as the personal exemption credit. However, the pass-through entity can claim a proportionate share amount of business credits (such as the job training credit) for those investors that are included on the pass-through entity’s return.

Also, the election to file a composite IT 4708 return applies only to the taxable year for which the election is made. Unless the Tax Commissioner provides otherwise, this election is binding and irrevocable for the taxable year for which the election is made.

Filing and Payment Dates

(R.C. 5747.08, 5747.09, 5747.42, 5747.43, 5747.44, and Ohio Administrative Code 5703-7-01)

Form IT 1140

Qualifying pass-through entities whose total “adjusted qualifying amounts” exceed \$10,000 must make estimated quarterly tax payments on Form IT 1140 ES.

The IT 1140 must be filed by the 15th day of the fourth month following the end of the entity’s taxable year. For taxpayers with a Jan. 1 through Dec. 31 taxable year, the return is due on April 15. If the entity has sought an extension of time to file its federal tax return (IRS form 1065 or 1120S), then the qualifying pass-through entity has the same extended time to file the Ohio tax return. The payment deadline, however, will not be extended.

Form IT 4708

The pass-through entity must make estimated tax payments on Form IT 4708 ES if the pass-through entity’s tax due for the current year is more than \$500.

The return is generally due on April 15 of the calendar year immediately following the calendar year in which the pass-through entity’s taxable year ends. If the pass-through entity

has sought an extension of time to file its federal tax return, then the pass-through entity has the same extended time to file the Ohio return on form IT 4708.

Disposition of Revenue

The revenue collected from the 5 percent withholding tax and the form IT 4708 tax is treated as individual income tax revenue. During fiscal year 2009, 91.8 percent of income tax revenue was deposited in the General Revenue Fund and 8.2 percent was deposited in the Local Government Fund. During fiscal year 2008, the income tax distribution was: 92.6 percent to the General Revenue Fund, 5.4 percent to the Local Government Fund, 1.8 percent to the Library and Local Government Support Fund, and 0.2 percent to the Local Government Revenue Assistance Fund.

Revenue collected from the 8.5 percent entity tax is treated as corporation franchise tax revenue. During fiscal year 2009, 100 percent was deposited in the General Revenue Fund. The same distribution was made during fiscal year 2008.

Administration

The Tax Commissioner administers the tax and the distribution of revenue.

Ohio Revised Code Citations

Chapters 5733 and 5747.

Recent Legislation

House Bill 495, 128th General Assembly (Internal Revenue Code (I.R.C.) conformity) –

The bill amended the definition of “Internal Revenue Code as amended” found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from Oct. 16, 2009 (the effective date of H.B. 1’s amendment to R.C. 5701.11) through Dec.15, 2010 (the effective date of H.B. 495’s amendment of R.C. 5701.11).

Federal tax law changes – The bill incorporated into Ohio’s tax laws all Internal Revenue Code changes made between Oct. 16, 2009 and Dec. 15, 2010

Table 1

Pass-Through Entity Tax Liability (Form IT-1140), Tax Years 2006-2009 (figures in millions)			
Tax Year	Withholding Tax (5.0%)	Entity Level Tax (8.5%)	Total Pass-Through Entity Tax Liability
2006	\$94.2	\$23.4	\$117.6
2007	107.8	23.2	131.0
2008	77.8	22.7	100.5
2009	-	-	90.5

Table 2

Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708), Fiscal Years 2006-2009 (figures in millions)	
Fiscal Year	Revenue Collected¹
2006	\$104.4
2007	136.7
2008	134.9
2009	111.7

¹ Includes estimated tax payments (form IT 4708 ES).



Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that will remain subject to property taxation once changes enacted by the Ohio General Assembly in 2005 are fully phased in. Some of these tax changes also apply to the taxation of public utility property and will, over time, decrease property tax revenue from some utilities.

This chapter also touches on the taxation of public utility real property, since the Department of Taxation has a role in assessing the real property of railroads. However, tables showing the taxes paid on public utility real property are located in the **Property Tax – Real Property** chapter.

The assessed value of public utility personal property was approximately \$8.9 billion in tax year 2009. Electric utilities accounted for about 75 percent of total public utility personal property value in 2009 and the natural gas industry accounted for 8.6 percent.

Revenue from the public utility property tax amounted to about \$576.6 million in calendar year 2009 (see Table 1 in Revenue from Taxes Administered by the Tax Commissioner). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied locally, less local administrative deductions.

Taxpayer

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating, and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers. The assessment rate on railroad personal property was reduced from 25 percent of true value in 2005 to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

The tax on tangible personal property is also being phased out for telephone companies and inter-exchange telecommunications companies, which were reclassified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies is 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

Changes for 2010

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority are exempt from the tangible personal property tax. Such facilities will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to qualify, advanced energy project facilities must begin construction before January 1, 2012, produce energy by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and create Ohio jobs. (R.C. 5727.75)

Changes for 2009

Beginning in 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 is considered a “public utility lessor” and is 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 property leased to a public utility in a sale and leaseback transaction, and property leased to a railroad, water transportation, telephone, or telegraph company (R.C. 5727.01(M)).

Also, beginning in 2009, a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others will 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 (R.C. 5727.031).

Tax Base

(Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

For most public utilities, the personal property tax base consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The exceptions:

- For water transportation companies, the tax base consists of all tangible personal property, except watercraft, owned or operated in Ohio on Dec. 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year.
- Railroad property, both real and personal, is valued according to the unitary method described under **Determining true value**, below.

Listing percentages

The percentage of true value at which personal property is listed for taxation varies according to the type of public utility. The percentages are as follows:

Electric companies:	
Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%
Rural electric companies:	
Transmission and distribution personal property	50%
All other tangible personal property ¹	25%
Natural gas companies	25%
Heating, pipeline, and water works companies	88%
Water transportation companies	25%

The table above does not include the listing percentages for the personal property of railroads, and telephone companies and inter-exchange telecommunications companies, whose rates were to fall to zero in 2009 and 2011, respectively, according to schedules described in the Taxpayer section.

The above table also does not apply to real property. All public utilities also pay tax on real property, which is uniformly listed at 35 percent of true value in Ohio. Real property includes land and improvements. Personal property includes all plant and equipment either owned or leased by the utility under a sale-lease back agreement, and not classified as real property or intangible property.

Determining true value

For most public utility personal property, true value is the capitalized cost less the composite annual allowances, which vary according to the actual age and expected life of the property. Exceptions:

The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost, except for the production equipment of electric or rural electric companies purchased, transferred or sold after July 6, 1999, the date when the electric deregulation legislation known as Senate Bill 3 became effective. The true value of production equipment purchased, transferred or sold after this date is the capitalized cost on the books and records, less composite annual allowances.

The true value of current gas (gas available for market) stored underground is the monthly average value of such gas, determined by dividing the cost of the ending monthly balances by the number of months in business. The true value of non-current gas (gas not available for market that provides pressure for cycling current gas) stored underground is 35 percent of cost on the tax lien date.

To determine the true value of railroad real and personal property used in railroad operations, the unitary method is

used to value the company’s entire railroad system property as a whole. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. The value of railroad personal property not used in operations is assessed by the Tax Commissioner, while real property not used in operations is assessed by county auditors, both using the normal means of valuing each type of property.

Apportionment of value

Real property values of all utilities except railroads are assigned to local taxing districts throughout Ohio according to the physical location of the property.

The taxable personal property values of all utilities are apportioned among the taxing districts as described below:

- Natural gas, heating, pipeline, water works, rural electric, and water transportation companies: taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Electric companies: for production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located. For all other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Telephone and inter-exchange telecommunications companies: taxable value is apportioned in proportion to the total miles of wire located in each taxing district as compared to the miles of wire for the entire state. For companies that have no miles of wire in the state, the taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all taxable personal property physically located in the state.
- Railroads: taxable value of all railroad property used in operations in the state (in this case, both real and personal) is apportioned to Ohio according to the miles of track in each taxing district and trackage rights, weighted by use, compared to the miles of track in the entire system. Values for railroad real and personal property not used in operations are situated on the basis of their physical location.

Rates

(R.C. 319.30, 319.301, 5705.02 – .05, 5705.19)

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

These total rates, or gross tax rates, apply to personal property. For real property, the application of tax reduction factors according to R.C. 319.301, commonly known as

¹ Including production equipment.

“House Bill 920” results in lower “effective” tax rates. For details on tax reduction factors, see the section on credits in the **Property Tax – Real Property** chapter.

Exemptions and Credits

(R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31)

The following types of public utility property are exempt:

- municipally-owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction.
- the real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

An allowance is available for funds used during construction and interest used during construction. This does not apply to electric company and rural electric company property, except transmission and distribution property first placed into service after Dec. 31, 2000. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

Also, qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.

Reporting, Certification, and Payment Dates

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 60 days (R.C. 5727.08 and 5727.48).

The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October (R.C. 5727.10 and 5727.23).

Tax payments are due according to the same first- and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis (R.C. 323.12 and 323.17).

Disposition of Revenue

(R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.34)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each.

Administration

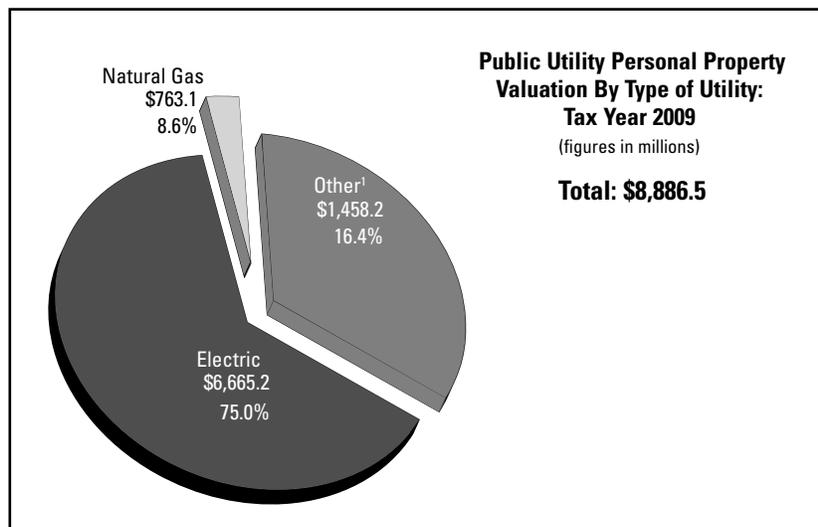
(R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

Ohio Revised Code Citations

Chapters 319, 321, 323, 5701, 5705, 5709, 5715, 5719, 5727, and 6111.

Chart



¹ Includes railroad, pipeline, rural electric, water works, water transportation and heating.

Table 1

Class of Utility	Number of Taxpayers	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2005 - 2009				
		2005	2006	2007	2008	2009
Electric ¹	19	\$5,702,660,740	\$5,789,028,700	\$6,139,587,280	\$6,390,727,590	\$6,665,194,420
Telephone ²	-	2,082,059,560	1,710,226,520	-	-	-
Natural Gas ³	28	622,753,060	652,656,240	687,377,830	713,082,350	763,148,170
Railroad	35	280,935,810	221,809,710	166,453,130	133,631,890	181,286,750
Pipeline	15	719,356,480	733,341,850	718,061,960	713,799,520	742,391,230
Rural Electric	27	322,366,860	337,995,440	356,232,540	391,893,760	379,305,110
Water Works	15	130,002,630	131,570,430	155,095,100	153,161,070	151,025,180
Other ⁴	7	2,737,940	2,837,390	3,148,860	4,619,360	4,168,520
Totals⁵	146	\$9,862,873,080	\$9,579,466,280	\$8,225,956,700	\$8,500,915,540	\$8,886,519,380
Taxes Levied		\$755,171,101	\$745,800,863	\$621,194,887	\$645,176,010	\$676,598,501

Source: Department of Taxation.

- 1 Assessment of electric company property was lowered from 100 percent to 25 percent in 2001, while the number of taxpayers increased from 14 (2000) to 17 (2001) and has fluctuated in subsequent years.
- 2 Starting in tax year 2007, values of telephone and inter-exchange telecommunications companies are included with general business tangible personal property values.
- 3 Assessment of natural gas company property was lowered from 88 percent to 25 percent in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.
- 4 Includes water transportation and heating.
- 5 Only companies with taxable property are included.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2009					
County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	\$184,809,220	\$8,210,142	LOGAN	\$30,633,880	\$1,919,117
ALLEN	82,211,520	4,708,900	LORAIN	213,031,650	17,898,197
ASHLAND	54,999,720	3,837,183	LUCAS	215,568,350	20,461,275
ASHTABULA	82,896,240	6,312,687	MADISON	28,804,230	1,938,661
ATHENS	82,491,110	6,037,795	MAHONING	148,027,630	11,836,153
AUGLAIZE	17,373,040	1,071,538	MARION	62,420,580	4,097,053
BELMONT	72,220,000	4,387,373	MEDINA	89,068,810	8,006,451
BROWN	31,865,810	1,682,405	MEIGS	38,821,670	1,922,188
BUTLER	229,633,580	16,880,966	MERCER	19,939,000	1,155,814
CARROLL	42,955,410	2,262,144	MIAMI	53,867,900	3,727,553
CHAMPAIGN	23,295,810	1,564,349	MONROE	47,090,070	2,709,210
CLARK	68,445,000	5,081,079	MONTGOMERY	287,561,460	28,858,426
CLERMONT	296,602,810	20,520,149	MORGAN	63,664,810	3,607,644
CLINTON	30,119,530	1,565,731	MORROW	21,613,750	1,216,412
COLUMBIANA	79,002,340	4,489,549	MUSKINGUM	80,156,260	5,417,693
COSHOCTON	106,373,270	5,410,610	NOBLE	36,906,410	1,829,019
CRAWFORD	21,958,570	1,641,556	OTTAWA	120,108,940	6,967,063
CUYAHOGA	654,490,340	69,749,015	PAULDING	26,100,750	1,531,181
DARKE	46,336,690	2,389,628	PERRY	46,256,790	2,916,426
DEFIANCE	47,451,390	2,989,332	PICKAWAY	58,196,610	3,354,865
DELAWARE	137,573,530	11,397,008	PIKE	33,793,900	1,897,478
ERIE	51,169,280	4,336,312	PORTAGE	76,956,090	6,859,353
FAIRFIELD	104,533,750	7,681,962	PREBLE	32,066,750	1,779,077
FAYETTE	29,996,530	1,687,673	PUTNAM	23,937,810	1,221,316
FRANKLIN	594,285,870	62,669,936	RICHLAND	83,804,890	6,693,665
FULTON	35,523,490	2,607,444	ROSS	54,042,190	3,272,528
GALLIA	182,400,260	7,390,716	SANDUSKY	43,605,630	2,548,036
GEAUGA	64,208,980	6,273,450	SCIOTO	73,570,800	4,384,816
GREENE	84,451,610	6,810,350	SENECA	47,434,790	3,056,904
GUERNSEY	46,668,760	2,837,093	SHELBY	30,557,070	1,901,003
HAMILTON	650,512,630	62,555,474	STARK	246,692,550	19,411,683
HANCOCK	56,962,270	3,468,443	SUMMIT	225,551,070	20,288,188
HARDIN	21,587,670	1,223,386	TRUMBULL	110,624,210	8,588,482
HARRISON	23,095,360	1,436,391	TUSCARAWAS	65,975,430	4,215,167
HENRY	16,808,980	1,204,901	UNION	51,952,330	3,978,167
HIGHLAND	28,112,910	1,334,738	VAN WERT	19,322,180	1,290,718
HOCKING	50,178,200	3,061,978	VINTON	30,166,640	1,381,543
HOLMES	27,841,490	1,602,103	WARREN	153,261,530	12,416,727
HURON	31,777,980	1,945,438	WASHINGTON	126,048,040	7,068,479
JACKSON	45,117,040	1,940,398	WAYNE	59,532,950	4,474,414
JEFFERSON	256,976,910	13,628,726	WILLIAMS	18,588,860	1,275,425
KNOX	37,862,460	2,459,316	WOOD	69,271,320	5,512,090
LAKE	361,650,070	30,379,626	WYANDOT	12,851,480	682,399
LAWRENCE	64,632,940	2,343,381			
LICKING	123,624,580	7,962,064	TOTAL	\$8,760,533,010	\$676,598,501



Property Tax – Real Property

The real property tax is Ohio's oldest tax. It has been an *ad valorem* tax – meaning, based on value – since 1825, and the Ohio constitution has generally required property to be taxed by uniform rule according to value since 1851.

The Department of Taxation ensures uniformity through its oversight of the appraisal work of Ohio's county auditors. According to state law and department rules, auditors conduct a full reappraisal of real property every six years and update values in the third year following each sexennial reappraisal. The department's Division of Tax Equalization compares the assessed values of properties to sale prices, then uses these "sales ratios" to evaluate assessments and, if necessary, seek changes.

In tax year 2009 (bills payable during 2010), the assessed valuation of real property in Ohio was about \$238.2 billion (\$681 billion in appraised true value), an decrease of approximately 1.2 percent from 2008. Revenue from taxes levied on this assessed value was distributed by county auditors to the local taxing authorities during calendar year 2010.

Net taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (frequently described as "House Bill 920") were \$14.1 billion for tax year 2009, an increase of 2.2 percent over 2008. This amount does not include deductions for the 10 percent partial exemption on certain residential and agricultural property, the 2.5 percent rollback for owner-occupied dwellings, and the homestead exemption for senior citizens and certain disabled homeowners.

The state reimburses local governments and school districts for the full amount of the 10 percent rollback, the 2.5 percent rollback and the homestead exemption. The amount of property tax relief for calendar year 2009 (reimbursed in 2010) is estimated to be \$1.1 billion for the 10 percent reduction, \$206.1 million for the 2.5 percent reduction and \$356.8 million for the homestead exemption. These figures do not include those taxpayers who filed late for the homestead and 2.5 percent reductions.

Taxpayer

All real property owners who are not specifically exempt are subject to the real property tax.

Tax Base

(Ohio Revised Code 5713.03, 5715.01)

The real property tax base is the taxable (assessed) value of land and improvements. The taxable value is 35 percent

of true (market) value, except for certain land devoted exclusively to agricultural use.

Rates

(R.C. 319.301, 5705.02-.05, 5705.19)

Real property tax rates are levied locally and vary by taxing jurisdiction. The total tax rate for any particular parcel includes all levies either enacted by a legislative authority or approved by the voters of all taxing jurisdictions in which the property is a part. Examples of such jurisdictions include school districts, counties, municipalities, townships, and special service districts. Each unique combination of these taxing jurisdictions creates a separate taxing district.

During 2009, the statewide average "gross" tax rate was 87.84 mills on residential and agricultural real property and 90.02 mills on commercial and industrial property. The statewide average "effective" or net tax rate on residential and agricultural real property was 57.42 mills, while the effective rate was 65.69 mills on commercial and industrial property. The difference between the gross and effective rate is due to tax reduction factors that generally prevent changes in voted taxes when the valuation of existing real property is increased or decreased (see **Credits**).

The Ohio Constitution prohibits governmental units from levying property taxes that, in the aggregate, exceed 1 percent of true value, unless they are approved by voters. This is known in state law as the 10-mill limitation on nonvoted or "inside" millage. Since these inside mills are levied on taxable value, which is 35 percent of true value, the result is a statutory limit of 0.35 percent, or nearly three times as strict as the constitutional 1 percent limit.

Exemptions

The real property of governmental or private institutional organizations may be exempt based on how the property is used and/or owned. Examples include schools, charities, churches and municipal corporations. Many other specific exemptions are also provided in the Revised Code.

Credits

(R.C. 319.301, 319.302, 323.151-.157)

Property tax rollbacks

Since 1971, a 10 percent reduction, or "rollback," has applied to each taxpayer's real property tax bill. In 2005, as part of a broader series of tax reforms, the General Assembly limited the 10 percent rollback to all real property not intended primarily for use in a business activity. The state reimburses local governments and schools for the cost of this rollback.

In addition, since the 1979 tax year, a 2.5 percent rollback

of real property taxes has been available to homesteads – meaning, dwelling plus up to one acre occupied by the homeowner. The state reimburses local governments and schools for the cost of this rollback.

Tax reduction factors

Each year, the department calculates effective tax rates based on tax reduction factors that eliminate the effect of a change in the valuation of existing real property on certain voted taxes. This law, outlined in R.C. 319.301, was enacted in 1976 by the 111th General Assembly as House Bill 920. Reduction factors are applied to eligible tax rates for each taxing unit, such as a school district, a county, or a municipality.

For the purpose of applying tax reduction factors, real property is divided into two classes: Class I for residential and agricultural property and Class II for all other real property. Separate percentage adjustments are applied to taxes levied against each of these two classes whenever the value of existing real property changes within these respective classes.

Reduction factors are only calculated on “carryover” property – meaning, property that is taxed in both the preceding and current year within the same reduction factor class. Therefore, new construction does not trigger a change in reduction factors, and taxing authorities receive new revenue as new property is added. Likewise, reduction factors do not stabilize revenue when property is removed from a class through exemption, demolition, or reclassification. Also, reduction factors are not applied to unvoted millage within the 10 mill constitutional limit or to millage authorized by municipal charter.

Finally, if the tax reductions would reduce the effective tax rate for current expenses of a school district below 20 mills on real property in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills. (However, districts that levy less than 20 mills do not automatically reach this 20 mill floor; a district that only levies 18 mills for current expense purposes will never receive more than 18 mills). The reduction factors of joint vocational school districts are adjusted in a similar manner to yield a minimum of two effective mills on each class of real property.

Homestead exemption

The homestead exemption dates back to 1971. It is available to the homesteads of qualified homeowners who are either:

- at least 65 years of age,
- permanently and totally disabled, or
- at least 59 years of age and the surviving spouse of a deceased taxpayer who previously received the exemption.

Before the 2007 tax year, eligibility for the exemption was limited to taxpayers who earned \$26,200 or less, with benefits tiered according to income.

Starting with the 2007 tax year (bills payable in 2008), income tests and tiered benefits no longer applied. Instead, each qualified homeowner received a credit equal to the taxes that would otherwise be charged on up to \$25,000 of the true value (meaning, \$8,750 in taxable value) of the homestead. In effect, the homestead exemption shields up to

\$25,000 of the value of an eligible homestead from property taxation.

Some 813,848 taxpayers qualified for the homestead exemption in 2008 on their tax bills payable in 2009 (see Table 7) – an increase of 37,694 from the previous year. The total tax savings for 2008 was approximately \$345 million, or about 26.6 million more than the previous year.

For a limited number of taxpayers, the older version of the homestead exemption was more beneficial. A grandfather clause in H.B. 119 protects such homeowners by not allowing the size of the credit to fall below the amount of savings credited on 2006 tax bills (payable in 2007).

Special Provisions

Current agricultural use value (R.C. 5713.30 – 5713.36)

The Ohio Constitution requires real property (land and improvements) to be taxed by uniform rule according to value. But land devoted exclusively to commercial agricultural use may be valued according to its current use instead of its “highest and best” potential use. Such land must meet one of the following requirements for three years before the year in which application for the current use treatment is made:

- ten acres or more must be devoted to commercial agricultural use; or
- under ten acres must be devoted to commercial agricultural use and produce an average yearly gross income of at least \$2,500.

In addition, when land valued according to its agricultural use is converted to a different use a charge is assessed on the land in an amount equal to the difference in the amount of tax levied on the converted land during the three tax years immediately preceding the year in which the conversion occurs.

Forest land (R.C. 5713.22 – 5713.26)

Forest land, devoted exclusively to forestry or timber under the rules of the Ohio Department of Natural Resources’ Division of Forestry, may be taxed at 50 percent of the local rate.

Manufactured home tax (R.C. 4505.01, 4503.06, 4503.065)

Manufactured homes are subject to an annual property tax. The valuation method and tax calculation depend on whether or not the manufactured home is taxed like (but not as) real property:

Personal property approach – The assessed value of a manufactured home, if situated in Ohio before Jan. 1, 2000, is 40 percent of the amount derived by multiplying the greater of either the home’s cost or market value at the time of purchase by a depreciation percentage based on one of two schedules. The manufactured home tax is calculated by applying the gross tax rate of the taxing district in which the home is situated to the home’s assessed value.

Real property approach – If a home was situated or had ownership transferred on or after Jan. 1, 2000, it is assessed at 35 percent of true value. This method of assessment also applies to homes situated before Jan. 1, 2000, if the owner made an election to have the home taxed like real property. The tax is determined by applying the effective tax rate to the assessed value and applying a 10 percent rollback. Taxes may be reduced by an additional

2.5 percent if the home is owner-occupied. A homestead exemption is available for qualifying homeowners (see **Credits**).

In either case, one-half of the amount of the annual tax is due by March 1 with the balance due by July 31. These dates are subject to extension in the same manner provided for real property (noted below). If the structure is taxable as personal property used in business under R.C. 5709.01, it is not subject to the manufactured home tax. Travel trailers and park trailers that are unused or unoccupied and are stored at a qualified location are also not subject to the manufactured home tax.

Filing and Payment Dates

(R.C. 323.12, 323.17)

According to statute, at least one-half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines are often extended in the ways described below.

When the delivery of the tax duplicate is delayed for certain statutory reasons, the payment dates may be automatically extended for 30 days. Further extensions, not to exceed 15 days, may be granted for emergencies by application of the county auditor or treasurer to the Tax Commissioner.

When an unavoidable delay occurs, an additional extension may be granted by application of both the county auditor and treasurer to the Tax Commissioner in order to avoid penalties to taxpayers.

Disposition of Revenue

(R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.33, 321.34)

After local administrative fee deductions, revenue is distributed to the counties, municipalities, townships, school districts, and various special districts according to the taxable values and total millage levied by each.

Administration

(R.C. 319.28, 5705.03, 5713.01, 5715.01, 5715.02, 5719.05)

The Tax Commissioner supervises the taxation of real property in the state and is charged with the duty of achieving uniformity in the taxation of real property.

County auditors are responsible for assessing all real property and for preparing a general tax list and duplicate. Using the duplicate, county treasurers prepare property tax bills and are responsible for the actual collection of the tax. County boards of revision hear complaints on the assessment or valuation of real property and may increase or decrease an assessment in the value of any property properly before it.

Ohio Revised Code Citations

Chapters 319, 321, 323, 4501, 4503, 5705, 5709, 5713, 5715, 5719, 6111.

Recent Legislation

Substitute House Bill 1, 128th General Assembly (effective Oct. 16, 2009).

Delinquent tax and assessment collection fund – R.C. 321.261(D)(1) was added to allow the county treasurer or prosecuting attorney to use moneys in this fund to prevent residential mortgage foreclosures and to address problems associated with other foreclosed real property. The amount used in any year may not exceed the amount that would cause the fund to have a reserve of less than 20% of the amount expended in the preceding year for the usual purposes in division (A). Money used under division (D)(1) shall be used to provide loans to borrowers in default on their home mortgages, including payment of late fees, to clear arrearage balances, and to augment the county's foreclosure prevention program. The money may also be used to assist municipalities and townships in the nuisance abatement of deteriorated residential buildings in foreclosure, or vacant, abandoned, tax-delinquent, or blighted real property, including costs of boarding up such buildings, lot maintenance, and demolition.

Interest on delinquent taxes – R.C. 323.121(B)(2) was amended to allow a county treasurer of a county that has organized a county land reutilization corporation under Chapter 1724 to charge interest at the rate of 12% per annum or 1% per month as specified in the treasurer's order.

Property tax administration fund – The percentages in R.C. 5703.80 charged against real property and public utility personal property taxes were increased because of the phase-out of the tangible personal property tax.

Conversion tax levy – R.C. 5705.219 was created to provide for the conversion levy to allow school districts who currently have more than 20 effective mills for current operating expenses to convert the excess over 20 mills to a fixed-sum levy and, thus, bring the school district to the 20-mill floor immediately. R.C. 5705.2110 is the hold harmless provision to account for any loss to the school district because of higher effective tax rates for class 2 real property and public utility property. The levy may be placed on the ballot only at a primary or general election starting with calendar year 2010.

Regional student education district tax levy – R.C. 5705.2111 was created to allow for a voted tax levy not to exceed 3.0 mills to fund the services to be provided by the district established under R.C. 3313.83.

Budget commission – R.C. 5705.341 was amended to allow a taxpayer/appellant to request that the Board of Tax Appeals send its findings by certified mail at the appellant's expense. R.C. 5705.37 was amended to allow a political subdivision/appellant to request that the Board of Tax Appeals send its findings by certified mail at the appellant's expense.

Board of revision – R.C. 5715.02 was amended to change the make-up of the board from county auditor, county treasurer, and the president of the board of county commissioners to the auditor, treasurer, and any member of the board of county commissioners.

Board of tax appeals – R.C. 5715.251 was amended to allow a county auditor, upon an appeal of the tax commissioner’s order increasing or decreasing aggregate real property values in the county, to request that the Board of Tax Appeals send its order by certified mail at the auditor’s expense. R.C. 5717.03 was amended to allow a party to an appeal to the Board of Tax Appeals from a decision of a county board of revision or of the tax commissioner, among others, to request that the Board of Tax Appeals send its decision or order by certified mail at the requestor’s expense.

Substitute Senate Bill 232, 128th General Assembly (effective June 17, 2010).

Energy facilities – R.C. 5709.53(B) was created to provide an exemption for real property included in an energy facility with an aggregate nameplate capacity of 250 kw or less, if construction or installation is completed on or after January 1, 2010. R.C. 5713.30 was amended to provide that the construction or installation of an energy facility on a portion of a tract, lot, or parcel of land devoted exclusively to agricultural use shall not cause the remaining portion to be deemed a conversion for current agricultural use valuation purposes, if the remaining portion continues to be devoted exclusively to agricultural use. R.C. 5713.34 was amended to provide that a recoupment charge shall not be levied for the conversion of a portion of a tract, lot, or parcel devoted exclusively to agricultural use, if the conversion is incident to the construction or installation of an energy facility, and if the remaining portion continues to be devoted exclusively to agricultural use.

Recent Court Decisions

Meadows Dev., L.L.C. v. Champaign County Bd. of Revision, 124 Ohio St.3d 349 (2010):

The Ohio Supreme Court held that because the board of revision modified its certification of the decision within the 30-day appeal period, and because no appeal had actually been instituted from the first certification, the second certification was valid and restarted the running of the 30-day appeal period. Moreover, the Court held that more than one address may satisfy the requirement that the certification mailing be reasonably calculated to give notice to the owner, which could be the owner’s address, the law firm’s

address, or some other address. In this case, the law firm’s address was acceptable because the owner identified the law firm as its agent for purpose of the valuation complaint, and the firm actually represented the owner at the board of revision hearing.

Toledo Pub. Schools Bd. of Educ. v. Lucas County Bd. of Revision, 124 Ohio St.3d 490 (2010):

The Ohio Supreme Court held that a valuation complaint on which the property manager identifies the owner and its own capacity as the property manager clearly indicates that the owner is acting through the property manager as its agent, even though the manager mistakenly listed itself on the line on the complaint reserved for independent complainants. Moreover, since the complaint was prepared and filed by a lawyer for the manager, the complaint was jurisdictionally sufficient.

HIN, L.L.C. v. Cuyahoga County Bd. of Revision, 124 Ohio St.3d 481 (2010):

In interpreting R.C. 5713.03, the Ohio Supreme Court held that when a property is the subject of two arm’s-length transactions between a willing seller and a willing buyer within a reasonable time before or after the tax lien date, the sale occurring closer in time to the tax lien date establishes the true value of the property for taxation purposes. Acknowledging the fact that legal title to real property transfers from the seller to the buyer with the delivery and acceptance of an executed deed, the Court further held that in determining the date a sale of property occurs, only for purposes of establishing the true value of property pursuant to R.C. 5713.03, the county auditor should use the date that the real property conveyance fee statement is filed in the auditor’s office as the sale date of the property.

NBC-USA Housing, Inc. v. Levin, 125 Ohio St.3d 394 (2010):

In following a long line of cases, the Ohio Supreme Court held that property improved with government-subsidized apartments that are leased to low-income handicapped and aged tenants is not entitled to an exemption R.C. 5709.12(B), as property used exclusively for charitable purposes. Because the Court has always defined charitable use of property to exclude a primarily residential use, the existence of federal subsidies is not dispositive of the exemption claim, since Congress does not define the scope of charitable use under Ohio law.

Table 1

Assessed Value Of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief, Tax Years 2005 - 2009					
	2005	2006	2007	2008	2009
Value Of Taxable Property	\$222,488,359,822	\$234,133,065,917	\$235,916,746,794	\$241,120,753,580	\$238,193,861,953
Residential & Agricultural	170,735,325,098	180,305,043,717	184,029,442,834	187,687,183,700	184,181,188,378
Other ¹	51,753,034,724	53,828,022,200	51,887,303,960	53,433,569,880	54,012,673,575
Taxes Charged²	12,276,786,818	12,956,794,743	13,128,191,919	13,819,361,777	14,124,390,998
Residential & Agricultural	8,997,828,917	9,568,110,019	9,880,261,962	10,398,014,352	10,576,227,491
Other ¹	3,278,957,901	3,388,684,724	3,247,929,957	3,421,347,425	3,548,163,507
Average Effective Tax Rate³	55.18	55.34	55.65	57.31	59.30
Residential & Agricultural	52.70	53.07	53.69	55.40	57.42
Other ¹	63.36	62.95	62.60	64.03	65.69
10% Reduction In All Real Property Taxes	893,847,539	952,065,574	990,608,456	1,042,002,658	1,061,932,289
2.5% Reduction In Homeowner's Real Property Taxes⁴	172,852,664	184,658,118	193,869,450	202,879,613	206,623,789
Homestead Exemption Reduction⁴	69,687,885	70,105,574	317,107,593	341,874,647	361,838,373
Net Taxes Collectible (after 10% reduction, 2.5% reduction, and homestead exemption)	\$11,140,398,729	\$11,749,965,477	\$11,626,606,421	\$12,232,604,859	\$12,493,996,547

1 Includes commercial, industrial, mineral, and public utility property.

2 Net taxes charged after application of percentage reductions required by R.C. 319.301.

3 Taxes charged divided by value of taxable property.

4 These figures exclude those taxpayers that filed late for the tax reduction and the administrative fees associated with this program.

Table 2

Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County, Tax Year 2009									
County	Class I		Class II		County	Class I		Class II	
	Gross Rate ¹	Net Rate ²	Gross Rate ¹	Net Rate ²		Gross Rate ¹	Net Rate ²	Gross Rate ¹	Net Rate ²
ADAMS	51.29	41.80	49.33	45.04	LOGAN	63.74	43.72	64.51	47.85
ALLEN	57.94	46.90	58.15	47.87	LORAIN	80.50	53.31	81.66	58.86
ASHLAND	73.35	44.79	77.05	52.25	LUCAS	100.85	64.37	99.17	74.02
ASHTABULA	75.85	48.70	76.74	53.62	MADISON	66.95	50.04	67.42	54.49
ATHENS	79.11	52.43	84.65	54.29	MAHONING	81.24	54.83	83.48	61.94
AUGLAIZE	62.61	44.15	62.22	51.53	MARION	64.75	44.12	64.71	48.79
BELMONT	63.02	42.13	62.35	46.64	MEDINA	92.47	49.78	93.66	52.70
BROWN	51.49	39.93	51.35	42.41	MEIGS	48.06	39.78	50.06	46.51
BUTLER	77.02	53.07	77.89	55.90	MERCER	58.07	47.81	57.44	51.40
CARROLL	55.80	41.04	56.74	43.14	MIAMI	68.50	43.54	67.40	47.98
CHAMPAIGN	65.61	45.12	74.12	55.88	MONROE	58.35	41.17	58.46	53.35
CLARK	72.53	51.44	73.35	54.80	MONTGOMERY	105.22	73.88	103.18	79.97
CLERMONT	88.67	53.36	87.85	59.70	MORGAN	54.04	37.04	55.61	44.01
CLINTON	52.77	42.10	52.50	44.98	MORROW	55.77	43.56	59.73	47.58
COLUMBIANA	57.19	42.42	59.62	46.24	MUSKINGUM	68.48	47.48	69.92	50.33
COSHOCTON	59.41	41.65	61.27	43.64	NOBLE	49.71	36.88	50.08	41.01
CRAWFORD	75.75	48.60	76.47	56.66	OTTAWA	69.81	38.73	67.07	41.79
CUYAHOGA	116.93	75.07	107.43	78.62	PAULDING	62.21	50.72	66.65	57.73
DARKE	53.48	39.82	55.86	45.08	PERRY	63.72	44.46	64.14	51.31
DEFIANCE	61.96	45.78	63.08	49.33	PICKAWAY	59.14	44.98	61.08	50.36
DELAWARE	84.52	59.33	85.87	60.32	PIKE	60.80	43.45	66.68	53.55
ERIE	84.58	46.04	86.35	56.90	PORTAGE	90.92	51.88	93.82	57.34
FAIRFIELD	84.79	49.38	86.18	46.74	PREBLE	54.67	41.34	56.54	44.27
FAYETTE	58.65	46.24	61.04	48.19	PUTNAM	50.67	40.94	49.45	43.36
FRANKLIN	107.82	68.24	103.59	77.18	RICHLAND	78.04	50.44	79.77	64.97
FULTON	74.48	51.24	73.24	54.36	ROSS	59.96	42.50	64.47	48.16
GALLIA	46.84	39.49	45.82	39.68	SANDUSKY	60.32	41.88	56.46	44.24
GEAUGA	101.72	56.00	101.27	61.41	SCIOTO	61.16	47.08	66.86	52.89
GREENE	82.30	59.56	82.37	62.07	SENECA	63.92	41.56	66.00	54.57
GUERNSEY	60.07	47.36	61.55	51.92	SHELBY	63.67	46.73	65.31	52.33
HAMILTON	97.79	59.45	94.92	68.82	STARK	81.75	53.35	79.92	57.75
HANCOCK	64.70	44.52	65.98	54.31	SUMMIT	89.27	60.20	87.91	64.40
HARDIN	57.66	42.18	56.37	43.00	TRUMBULL	76.02	55.52	74.57	61.29
HARRISON	61.60	41.19	63.03	48.26	TUSCARAWAS	67.47	45.11	68.80	50.41
HENRY	73.27	50.79	74.28	63.07	UNION	79.10	57.53	78.68	63.71
HIGHLAND	47.97	39.75	47.99	41.76	VAN WERT	67.67	45.84	69.46	62.94
HOCKING	60.94	45.76	60.88	47.84	VINTON	47.16	43.17	50.16	47.28
HOLMES	55.21	44.60	54.48	47.67	WARREN	83.43	54.82	85.14	52.66
HURON	60.14	39.33	63.30	44.11	WASHINGTON	55.20	39.80	55.76	43.93
JACKSON	45.45	40.77	47.56	43.92	WAYNE	75.74	48.14	82.68	58.78
JEFFERSON	59.29	39.72	59.43	47.90	WILLIAMS	70.53	44.54	71.05	47.44
KNOX	65.94	47.94	61.73	50.97	WOOD	83.80	54.30	85.23	58.89
LAKE	92.97	56.07	91.01	59.55	WYANDOT	54.41	35.02	52.64	37.38
LAWRENCE	37.21	34.39	39.38	36.97					
LICKING	68.79	51.62	66.92	52.68	Statewide Average³	87.84	57.42	90.02	65.69

1 Rate on property prior to application of tax reduction factors. Gross rate equals taxes levied divided by taxable value.

2 Rate on property in the county after application of tax reduction factors. These rates were computed prior to the deduction of the property tax rollbacks and homestead exemption. Net rate equals taxes charged divided by taxable value.

3 For the two combined classes of real property, the statewide average gross rate is 88.33 mills and the statewide average net rate is 59.30 mills

Table 3

Total Real Property Taxes, Values and Effective Tax Rates, by County, Tax Year 2009											
County	Taxable Value	Gross Taxes Levied	Taxes Charged ¹	Special Assessments	Effective Tax Rate ²	County	Taxable Value	Gross Taxes Levied	Taxes Charged ¹	Special Assessments	Effective Tax Rate ²
ADAMS	\$386,468,950	\$19,612,187	\$16,499,017	\$27,022	42.69	LOGAN	\$1,002,277,520	\$64,026,949	\$44,566,553	\$538,189	44.47
ALLEN	1,778,773,310	103,159,622	83,880,737	3,119,307	47.16	LORAIN	6,365,217,280	513,747,132	345,776,482	2,174,573	54.32
ASHLAND	934,191,620	69,052,019	42,916,154	556,583	45.94	LUCAS	7,845,799,355	787,707,836	525,373,739	36,989,714	66.96
ASHTABULA	1,792,685,970	136,274,562	88,967,561	2,437,005	49.63	MADISON	820,449,700	54,991,834	41,611,207	1,861,621	50.72
ATHENS	845,283,680	67,916,454	44,672,821	1,121,924	52.85	MAHONING	3,978,017,520	325,275,288	224,779,037	2,753,658	56.51
AUGLAIZE	862,813,750	53,967,992	39,157,156	1,274,375	45.38	MARION	962,785,920	62,335,275	43,385,285	1,831,601	45.06
BELMONT	954,565,050	60,008,279	41,213,921	278,878	43.18	MEDINA	4,695,558,000	435,079,554	235,912,490	3,166,384	50.24
BROWN	684,166,138	35,218,643	27,480,450	506,314	40.17	MEIGS	254,855,240	12,332,539	10,422,926	34,322	40.90
BUTLER	7,563,655,300	584,153,430	406,638,437	41,036,625	53.76	MERCER	795,391,840	46,130,487	38,348,061	1,429,879	48.21
CARROLL	502,690,360	28,105,648	20,754,804	368,692	41.29	MIAMI	2,104,197,850	143,711,982	93,326,263	2,145,774	44.35
CHAMPAIGN	701,361,960	46,830,719	32,679,096	124,931	46.59	MONROE	194,956,530	11,378,081	8,371,675	21,758	42.94
CLARK	2,285,776,620	166,201,198	119,289,415	558,189	52.19	MONTGOMERY	9,895,979,370	1,036,305,216	745,854,822	33,150,380	75.37
CLERMONT	4,141,790,620	366,578,174	226,136,462	12,307,313	54.60	MORGAN	206,972,020	11,227,237	7,856,709	111,936	37.96
CLINTON	813,235,720	42,866,927	34,765,666	505,304	42.75	MORROW	645,409,100	36,185,054	28,306,728	603,003	43.86
COLUMBIANA ³	1,534,278,550	88,306,335	65,962,664	973,423	42.99	MUSKINGUM	1,449,307,740	99,694,940	69,713,426	2,392,253	48.10
COSHOCTON	580,840,680	34,748,492	24,448,817	403,742	42.09	NOBLE	197,980,240	9,849,058	7,391,217	134,354	37.33
CRAWFORD	643,224,890	48,802,386	32,128,117	193,595	49.95	OTTAWA	1,647,656,880	114,311,372	64,606,898	2,877,563	39.21
CUYAHOGA	29,028,960,350	3,312,149,254	2,210,017,351	90,418,037	76.13	PAULDING	280,570,940	17,592,904	14,450,530	403,952	51.50
DARKE	927,501,360	49,895,057	37,579,147	870,472	40.52	PERRY	477,715,510	30,459,445	21,557,949	58,126	45.13
DEFIANCE	666,251,620	41,414,121	30,918,833	893,447	46.41	PICKAWAY	1,001,598,710	59,518,693	45,841,355	594,314	45.77
DELAWARE	6,196,234,360	524,686,212	368,334,355	20,037,735	59.44	PIKE	305,761,070	18,856,778	13,742,952	21,569	44.95
ERIE	1,923,228,480	163,396,565	93,001,302	3,829,184	48.36	PORTAGE	3,244,910,880	296,901,543	171,899,669	3,640,290	52.98
FAIRFIELD	3,139,625,890	266,907,749	153,733,399	3,796,690	48.97	PREBLE	763,755,470	41,925,154	31,844,606	2,194,141	41.69
FAYETTE	551,855,180	32,618,329	25,723,716	0	46.61	PUTNAM	620,671,840	31,370,064	25,567,255	554,973	41.19
FRANKLIN	27,463,405,070	2,926,344,789	1,947,517,257	103,434,236	70.91	RICHLAND	1,988,036,510	155,802,169	105,780,823	1,435,854	53.21
FULTON	869,042,290	64,510,825	45,069,054	1,111,438	51.86	ROSS	1,077,850,120	65,541,153	46,951,767	434,748	43.56
GALLIA	462,011,790	21,515,707	18,268,727	52,760	39.54	SANDUSKY	1,120,702,810	66,854,689	47,397,443	772,402	42.29
GEAUGA	3,004,749,480	305,490,999	170,013,093	1,961,588	56.58	SCIOTO	829,534,300	51,650,964	39,992,819	1,079,888	48.21
GREENE	3,779,602,340	311,121,294	226,956,934	3,347,103	60.05	SENECA	890,398,160	57,198,517	38,787,582	723,003	43.56
GUERNSEY	538,249,870	32,497,781	25,994,939	621,211	48.30	SHELBY	934,183,490	59,805,118	44,757,597	880,542	47.91
HAMILTON	19,446,341,460	1,886,826,764	1,204,724,050	95,352,060	61.95	STARK	6,870,708,880	558,940,763	373,191,642	4,259,278	54.32
HANCOCK	1,505,196,530	97,780,864	69,991,032	1,260,161	46.50	SUMMIT	12,257,939,360	1,090,409,541	749,728,857	29,664,677	61.16
HARDIN	440,603,300	25,328,732	18,633,227	1,301,096	42.29	TRUMBULL	3,309,647,560	250,665,316	187,431,365	2,264,591	56.63
HARRISON	229,307,270	14,169,768	9,661,176	111,604	42.13	TUSCARAWAS	1,584,750,230	107,339,195	73,172,537	1,269,018	46.17
HENRY	526,111,080	38,614,092	27,524,200	802,347	52.32	UNION	1,231,546,330	97,304,110	72,433,534	258,445	58.82
HIGHLAND	660,781,640	31,701,841	26,425,247	1,114,610	39.99	VAN WERT	455,117,600	30,891,045	21,763,024	797,623	47.82
HOCKING	505,293,960	30,788,562	23,224,370	48,878	45.96	VINTON	159,358,110	7,557,622	6,936,609	454	43.53
HOLMES	730,357,380	40,226,727	32,974,401	375,024	45.15	WARREN	5,476,387,060	458,534,149	298,144,184	5,372,145	54.44
HURON	1,014,873,090	61,540,331	40,678,603	462,056	40.08	WASHINGTON	932,275,960	51,580,014	37,968,949	439,179	40.73
JACKSON	426,906,050	19,591,173	17,685,660	20,055	41.43	WAYNE	2,122,093,920	163,470,313	106,362,319	1,712,266	50.12
JEFFERSON	897,967,710	53,266,689	37,272,805	318,313	41.51	WILLIAMS	685,090,770	48,390,571	30,907,740	1,079,063	45.11
KNOX	1,121,709,960	73,419,602	54,165,677	2,322,243	48.29	WOOD	2,794,357,030	235,176,187	154,990,080	3,792,905	55.47
LAKE	5,973,403,900	552,608,530	339,776,722	10,312,800	56.88	WYANDOT	381,749,150	20,672,626	13,502,414	124,278	35.37
LAWRENCE	729,184,070	27,329,683	25,311,489	676,062	34.71						
LICKING	3,569,779,430	244,432,160	184,913,815	4,509,783	51.80	TOTAL	\$238,193,861,953	\$21,040,675,744	\$14,124,390,998	\$571,198,904	59.30

1 Represents taxes charged after tax reduction factors are applied. The 10 percent rollback for all real property, 2.5 percent rollback for residential real property, and homestead exemption reduction have not been subtracted from this figure because they are fully reimbursed to the local governments and school districts from the state General Revenue Fund.

2 Rates shown in mills equal taxes charged divided by taxable value.

3 Counties which levied no special assessments.

Table 4

Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2009 ¹											
County	Taxes Charged ²	10% Reduction ³	Homestead Exemption Reduction ³	2.5% Reduction in Taxes of Homeowners ³	Net Taxes Collectible	County	Taxes Charged ²	10% Reduction ³	Homestead Exemption Reduction ³	2.5% Reduction in Taxes of Homeowners ³	Net Taxes Collectible
ADAMS	\$16,499,017	\$1,161,514	\$674,086	\$87,891	\$14,590,268	LOGAN	\$44,566,553	\$3,595,041	\$1,051,165	\$419,895	\$39,495,629
ALLEN	83,880,737	6,146,091	2,797,728	1,107,309	73,926,580	LORAIN	345,776,482	27,702,951	9,235,689	5,174,814	303,722,680
ASHLAND	42,916,154	3,539,878	1,524,738	648,135	37,234,215	LUCAS	525,373,739	36,462,060	15,208,067	7,709,505	466,905,919
ASHTABULA	88,967,561	7,066,189	3,223,810	1,037,196	77,680,064	MADISON	41,611,207	3,474,181	1,064,336	633,300	36,427,895
ATHENS	44,672,821	3,452,636	1,479,250	491,610	39,265,576	MAHONING	224,779,037	16,615,654	9,544,623	3,314,573	195,353,499
AUGLAIZE	39,157,156	3,175,260	1,171,035	555,890	34,254,378	MARION	43,385,285	3,389,923	1,731,481	609,825	37,698,105
BELMONT	41,213,921	3,083,254	2,017,666	538,869	35,571,405	MEDINA	235,912,490	19,720,621	4,921,982	4,056,448	207,244,950
BROWN	27,480,450	2,467,682	1,019,037	310,243	23,678,011	MEIGS	10,422,926	846,383	667,298	107,410	8,788,674
BUTLER	406,638,437	31,082,376	9,196,762	5,968,010	360,403,099	MERCER	38,348,061	3,377,500	1,168,412	515,312	33,284,255
CARROLL	20,754,804	1,819,556	749,753	234,519	17,947,219	MIAMI	93,326,263	7,491,454	2,815,206	1,428,256	81,646,704
CHAMPAIGN	32,679,096	2,727,128	1,080,795	392,419	28,529,102	MONROE	8,371,675	682,073	446,772	77,603	7,166,346
CLARK	119,289,415	9,108,213	4,687,411	1,687,485	103,941,682	MONTGOMERY	745,854,822	55,070,684	25,351,386	11,730,421	654,085,534
CLERMONT	226,136,462	18,666,743	4,842,475	3,808,342	198,811,627	MORGAN	7,856,709	663,786	383,491	70,202	6,738,678
CLINTON	34,765,666	2,657,448	873,926	421,441	30,820,205	MORROW	28,306,728	2,600,486	592,576	602,692	24,527,389
COLUMBIANA	65,962,664	5,525,005	3,104,072	884,563	56,572,872	MUSKINGUM	69,713,426	5,375,670	2,477,169	867,223	60,993,091
COSHOCTON	24,448,817	1,863,499	946,422	257,397	21,387,931	NOBLE	7,391,217	650,594	347,536	80,556	6,315,487
CRAWFORD	32,128,117	2,600,126	1,597,997	353,606	27,643,683	OTTAWA	64,606,898	5,335,664	1,335,760	483,395	57,428,122
CUYAHOGA	2,210,017,351	151,500,443	57,914,855	31,073,016	1,970,425,552	PAULDING	14,450,530	1,272,062	703,544	209,729	12,306,841
DARKE	37,579,147	3,201,186	1,443,644	497,344	32,429,011	PERRY	21,557,949	1,917,416	891,120	342,772	18,420,031
DEFIANCE	30,918,833	2,511,763	1,227,133	477,909	26,748,865	PICKAWAY	45,841,355	3,864,617	1,239,912	654,782	40,076,121
DELAWARE	368,334,355	32,404,285	3,579,230	6,932,544	325,296,981	PIKE	13,742,952	1,133,896	789,108	180,790	11,652,619
ERIE	93,001,302	7,310,165	2,498,858	1,284,290	81,932,631	PORTAGE	171,899,669	13,459,562	4,240,156	2,369,874	151,957,089
FAIRFIELD	153,733,399	12,979,207	3,340,203	2,366,696	135,083,538	PREBLE	31,844,606	2,774,071	1,189,366	479,057	27,426,669
FAYETTE	25,723,716	2,066,614	792,477	310,247	22,563,227	PUTNAM	25,567,255	2,282,314	785,556	438,330	22,061,386
FRANKLIN	1,947,517,257	133,110,920	28,119,123	28,290,668	1,758,823,766	RICHLAND	105,780,823	8,059,609	4,152,960	1,543,375	92,010,048
FULTON	45,069,054	3,570,355	1,347,808	680,055	39,490,760	ROSS	46,951,767	3,720,871	1,926,604	617,300	40,685,260
GALLIA	18,268,727	1,340,432	821,770	160,608	15,945,386	SANDUSKY	47,397,443	3,873,609	1,641,906	650,676	41,197,755
GEAUGA	170,013,093	14,954,303	3,131,661	2,860,077	149,094,849	SCIOTO	39,992,819	3,137,463	2,372,545	574,123	33,902,506
GREENE	226,956,934	18,143,409	4,951,349	2,975,253	200,849,898	SENECA	38,787,582	3,108,997	1,388,557	516,532	33,771,156
GUERNSEY	25,994,939	2,020,204	1,248,130	286,471	22,453,271	SHELBY	44,757,597	3,440,975	1,247,203	556,891	39,507,653
HAMILTON	1,204,724,050	88,130,291	21,712,912	18,251,086	1,076,673,460	STARK	373,191,642	28,568,562	13,046,316	5,602,363	326,084,609
HANCOCK	69,991,032	5,323,705	1,764,289	1,076,490	61,832,396	SUMMIT	749,728,857	56,751,495	19,534,308	11,245,976	662,550,637
HARDIN	18,633,227	1,602,738	792,401	239,096	16,002,394	TRUMBULL	187,431,365	14,815,595	8,651,325	2,506,974	161,497,895
HARRISON	9,661,176	817,285	548,946	94,249	8,203,577	TUSCARAWAS	73,172,537	5,714,910	2,524,969	963,103	63,937,419
HENRY	27,524,200	2,340,298	938,162	360,891	23,888,199	UNION	72,433,534	5,861,412	1,090,808	1,056,121	64,439,816
HIGHLAND	26,425,247	2,296,732	1,038,925	258,195	22,890,766	VAN WERT	21,763,024	1,852,145	1,008,969	314,235	18,594,423
HOCKING	23,224,370	2,082,485	827,543	320,993	20,010,330	VINTON	6,936,609	594,732	395,181	73,754	5,879,415
HOLMES	32,974,401	2,681,098	665,786	330,284	29,288,257	WARREN	298,144,184	24,797,752	4,851,789	5,228,512	263,259,274
HURON	40,678,603	3,353,151	1,328,651	616,619	35,369,702	WASHINGTON	37,968,949	2,877,138	1,645,003	458,945	32,998,694
JACKSON	17,685,660	1,375,704	867,165	136,562	15,316,982	WAYNE	106,362,319	8,295,806	3,014,479	1,470,717	93,626,288
JEFFERSON	37,272,805	2,781,248	2,102,078	469,626	31,913,815	WILLIAMS	30,907,740	2,454,476	1,119,638	403,906	26,934,643
KNOX	54,165,677	4,742,137	1,684,787	730,604	47,018,687	WOOD	154,990,080	11,322,535	3,282,971	1,870,913	138,537,973
LAKE	339,776,722	25,583,657	8,726,815	5,126,819	300,724,859	WYANDOT	13,502,414	1,138,218	511,907	176,756	11,680,032
LAWRENCE	25,311,489	2,178,216	1,588,414	316,135	21,247,085						
LICKING	184,913,815	15,242,695	4,259,150	2,928,102	162,480,004	TOTAL	\$14,124,390,998	\$1,061,932,289	\$361,838,373	\$206,623,789	\$12,499,075,373

1 Taxes charged in tax year 2009 and collected or reimbursed in calendar year 2010.
 2 Net taxes charged after application of percentage reductions by R.C. 319.301.
 3 Reduction is applied to residential and agricultural property not exceeding one acre.

Table 5

Assessed Valuation of Exempt Real Property, by Ownership Classifications: Tax Years 2005 - 2009					
(figures in millions)					
Property Under Public Ownership	2005	2006	2007	2008	2009
Boards of Education	\$5,569.1	\$5,877.4	\$6,225.0	\$6,573.2	\$6,884.1
Municipalities	4,667.8	4,938.9	5,039.1	5,172.9	5,171.3
State	3,113.6	3,303.0	3,367.2	3,587.9	3,597.7
Counties	2,144.9	2,343.6	2,446.9	2,450.4	2,595.3
United States	1,619.9	1,720.1	1,725.1	1,543.3	1,550.4
Park Districts	518.7	586.0	606.1	642.3	656.7
Townships	271.0	309.5	331.1	351.1	362.3
Total	\$17,905.0	\$19,078.5	\$19,740.4	\$20,321.2	\$20,817.7
Property Under Private Ownership	2005	2006	2007	2008	2009
Tax Abatements	\$6,264.1	\$6,908.8	\$7,911.4	\$8,844.1	\$9,405.6
Charities	3,888.3	4,119.6	4,381.4	4,566.4	4,645.4
Churches	3,726.0	3,822.8	3,957.9	4,097.7	4,165.4
Schools and Colleges	3,054.8	3,219.7	3,351.7	3,518.9	3,704.3
Cemeteries	232.2	232.2	238.3	244.5	249.1
Total	\$17,165.4	\$18,303.3	\$19,840.6	\$21,271.6	\$22,169.7
Grand Total¹	\$35,741.6	\$38,123.6	\$40,317.1	\$42,370.6	\$43,776.5

Source: Exempt real property abstracts filed by county auditors with the Department of Taxation.

¹ Includes other tax-exempt organizations (e.g., metropolitan housing authorities, volunteer fire departments, etc.) not included in any of the listed categories.

Table 6

Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Valuation, by County, Tax Year 2009							
County	Assessed Value of Taxable Real Property	Assessed Value of Exempt Real Property	Percent of Tax Base Exempt from Taxation	County	Assessed Value of Taxable Real Property	Percent of Assessed Value of Exempt Real Property	Percent of Tax Base Exempt from Taxation
ADAMS	\$386,468,950	\$50,684,990	13.11%	LOGAN	\$1,002,277,520	\$106,116,350	10.59 %
ALLEN	1,778,773,310	359,840,580	20.23	LORAIN	6,365,217,280	889,326,560	13.97
ASHLAND	934,191,620	163,780,280	17.53	LUCAS	7,845,799,355	1,524,172,010	19.43
ASHTABULA	1,792,685,970	239,618,190	13.37	MADISON	820,449,700	187,124,880	22.81
ATHENS	845,283,680	358,858,000	42.45	MAHONING	3,978,017,520	497,491,800	12.51
AUGLAIZE	862,813,750	88,911,400	10.30	MARION	962,785,920	166,399,120	17.28
BELMONT	954,565,050	178,301,500	18.68	MEDINA	4,695,558,000	398,417,900	8.48
BROWN	684,166,138	67,357,620	9.85	MEIGS	254,855,240	26,012,550	10.21
BUTLER	7,563,655,300	1,699,213,760	22.47	MERCER	795,391,840	91,332,833	11.48
CARROLL	502,690,360	31,439,790	6.25	MIAMI	2,104,197,850	265,343,820	12.61
CHAMPAIGN	701,361,960	60,003,560	8.56	MONROE	194,956,530	22,184,160	11.38
CLARK	2,285,776,620	386,195,940	16.90	MONTGOMERY	9,895,979,370	1,904,170,390	19.24
CLERMONT	4,141,790,620	570,429,980	13.77	MORGAN	206,972,020	23,342,640	11.28
CLINTON	813,235,720	120,617,340	14.83	MORROW	645,409,100	43,701,990	6.77
COLUMBIANA	1,534,278,550	201,501,090	13.13	MUSKINGUM	1,449,307,740	284,617,000	19.64
COSHOCTON	580,840,680	76,744,140	13.21	NOBLE	197,980,240	39,538,290	19.97
CRAWFORD	643,224,890	81,890,200	12.73	OTTAWA	1,647,656,880	127,135,150	7.72
CUYAHOGA	29,028,960,350	6,335,999,850	21.83	PAULDING	280,570,940	37,728,280	13.45
DARKE	927,501,360	103,789,300	11.19	PERRY	477,715,510	71,645,830	15.00
DEFIANCE	666,251,620	93,302,790	14.00	PICKAWAY	1,001,598,710	169,281,540	16.90
DELAWARE	6,196,234,360	974,094,880	15.72	PIKE	305,761,070	62,714,220	20.51
ERIE	1,923,228,480	290,947,290	15.13	PORTAGE	3,244,910,880	765,844,640	23.60
FAIRFIELD	3,139,625,890	353,370,400	11.26	PREBLE	763,755,470	70,434,650	9.22
FAYETTE	551,855,180	79,825,320	14.46	PUTNAM	620,671,840	84,245,180	13.57
FRANKLIN	27,463,405,070	7,194,996,190	26.20	RICHLAND	1,988,036,510	287,600,910	14.47
FULTON	869,042,290	187,382,010	21.56	ROSS	1,077,850,120	234,511,260	21.76
GALLIA	462,011,790	95,589,580	20.69	SANDUSKY	1,120,702,810	192,536,240	17.18
GEAUGA	3,004,749,480	224,968,420	7.49	SCIOTO	829,534,300	260,742,510	31.43
GREENE	3,779,602,340	834,734,590	22.09	SENECA	890,398,160	124,670,970	14.00
GUERNSEY	538,249,870	117,820,820	21.89	SHELBY	934,183,490	107,651,650	11.52
HAMILTON	19,446,341,460	4,934,616,560	25.38	STARK	6,870,708,880	1,123,440,190	16.35
HANCOCK	1,505,196,530	221,299,700	14.70	SUMMIT	12,257,939,360	1,762,514,610	14.38
HARDIN	440,603,300	69,902,020	15.87	TRUMBULL	3,309,647,560	440,591,390	13.31
HARRISON	229,307,270	29,531,160	12.88	TUSCARAWAS	1,584,750,230	163,930,860	10.34
HENRY	526,111,080	74,609,100	14.18	UNION	1,231,546,330	103,622,480	8.41
HIGHLAND	660,781,640	78,369,480	11.86	VAN WERT	455,117,600	81,416,300	17.89
HOCKING	505,293,960	80,682,470	15.97	VINTON	159,358,110	25,697,670	16.13
HOLMES	730,357,380	45,286,650	6.20	WARREN	5,476,387,060	919,399,820	16.79
HURON	1,014,873,090	113,592,750	11.19	WASHINGTON	932,275,960	160,774,782	17.25
JACKSON	426,906,050	96,315,250	22.56	WAYNE	2,122,093,920	361,521,330	17.04
JEFFERSON	897,967,710	142,072,750	15.82	WILLIAMS	685,090,770	114,284,400	16.68
KNOX	1,121,709,960	199,452,500	17.78	WOOD	2,794,357,030	613,428,870	21.95
LAKE	5,973,403,900	493,178,770	8.26	WYANDOT	381,749,150	33,363,800	8.74
LAWRENCE	729,184,070	126,412,740	17.34				
LICKING	3,569,779,430	478,988,020	13.42	TOTAL	\$238,193,861,953	\$43,776,541,545	18.38 %

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

Table 7

Number of Homestead Exemptions Granted, Average Reduction in Taxable Value, and Total Reduction in Taxes, by County: Tax Year 2008							
County	Number of Homestead Exemptions Granted ¹	Average Reduction in Taxable Value ¹	Total Reduction in Real Property Taxes ²	County	Number of Homestead Exemptions Granted ¹	Average Reduction in Taxable Value ¹	Total Reduction in Real Property Taxes ²
ADAMS	2,269	\$286	\$652,174	LOGAN	3,026	\$331	\$1,049,343
ALLEN	7,666	357	2,734,754	LORAIN	22,413	389	8,709,522
ASHLAND	4,241	347	1,474,949	LUCAS	30,787	439	14,064,274
ASHTABULA	8,113	385	3,132,196	MADISON	2,709	379	1,053,167
ATHENS	3,609	397	1,435,901	MAHONING	23,380	411	9,677,300
AUGLAIZE	3,312	345	1,169,083	MARION	5,036	330	1,673,090
BELMONT	6,121	322	2,054,218	MEDINA	12,032	392	4,719,212
BROWN	2,080	462	1,004,948	MEIGS	2,344	272	636,944
BUTLER	21,246	406	8,631,788	MERCER	3,148	367	1,156,326
CARROLL	2,391	300	733,157	MIAMI	8,062	330	2,660,248
CHAMPAIGN	2,940	336	988,937	MONROE	1,342	260	350,521
CLARK	10,704	408	4,558,128	MONTGOMERY	43,738	549	24,005,083
CLERMONT	11,773	396	4,659,125	MORGAN	1,358	276	375,450
CLINTON	2,614	326	854,809	MORROW	2,470	325	802,549
COLUMBIANA	9,316	325	3,026,895	MUSKINGUM	6,739	347	2,427,699
COSHOCTON	2,808	326	916,168	NOBLE	1,220	275	335,117
CRAWFORD	4,078	356	1,451,722	OTTAWA	4,107	299	1,228,275
CUYAHOGA	99,507	543	54,158,396	PAULDING	1,713	365	624,585
DARKE	4,621	294	1,396,538	PERRY	2,754	313	865,236
DEFIANCE	3,369	346	1,169,759	PICKAWAY	3,366	360	1,260,703
DELAWARE	7,965	413	3,287,615	PIKE	2,462	306	756,449
ERIE	6,577	366	2,407,917	PORTAGE	10,054	391	3,937,690
FAIRFIELD	9,212	332	3,055,573	PREBLE	3,674	312	1,153,683
FAYETTE	2,122	368	781,599	PUTNAM	2,532	302	763,407
FRANKLIN	51,720	511	26,545,795	RICHLAND	10,176	401	4,085,206
FULTON	3,172	394	1,250,193	ROSS	5,820	321	1,910,745
GALLIA	2,787	290	806,974	SANDUSKY	5,104	315	1,608,946
GEAUGA	7,022	421	2,959,772	SCIOTO	6,686	347	2,369,522
GREENE	11,253	427	4,817,171	SENECA	4,220	328	1,425,813
GUERNSEY	3,445	340	1,171,916	SHELBY	3,414	326	1,132,040
HAMILTON	45,772	455	21,649,132	STARK	31,278	373	11,655,470
HANCOCK	4,888	325	1,589,766	SUMMIT	40,576	468	19,003,062
HARDIN	2,373	311	739,049	TRUMBULL	19,091	442	8,432,180
HARRISON	1,615	326	526,185	TUSCARAWAS	7,254	343	2,530,582
HENRY	2,362	388	916,821	UNION	2,397	434	1,041,276
HIGHLAND	3,401	273	930,644	VAN WERT	2,859	348	994,412
HOCKING	2,247	341	767,903	VINTON	1,230	300	368,810
HOLMES	1,806	352	636,307	WARREN	10,886	381	4,151,628
HURON	3,920	328	1,287,404	WASHINGTON	5,295	302	1,600,756
JACKSON	2,793	312	870,692	WAYNE	7,769	380	2,951,211
JEFFERSON	7,067	306	2,213,204	WILLIAMS	3,136	347	1,104,561
KNOX	4,526	359	1,624,763	WOOD	7,826	407	3,183,485
LAKE	18,808	411	7,741,718	WYANDOT	1,828	264	482,968
LAWRENCE	6,209	257	1,594,719				
LICKING	10,697	352	3,920,287	TOTAL	813,848	\$420	\$344,615,313

1 Compiled from surveys of county auditors conducted by the Department of Taxation.

2 From distribution records of the Revenue Accounting Division of the Department of Taxation. These figures include those taxpayers that filed late for the tax reduction and exclude the administrative fees associated with this program.



Property Tax – Tangible Personal Property

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. In 2009, for the first time in 163 years, the vast majority of Ohio businesses no longer faced a tax on tangible personal property.

During the 2009 tax year, taxes levied on tangible personal property totaled approximately \$55.1 million on a taxable value of approximately \$632.0 million. Tangible personal property replacement payments to schools and local governments (see **Special Provisions**) amounted to \$1.6 billion in fiscal year 2009.

The general taxation of tangible personal property in Ohio 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 tangible personal property used in the course of conducting business.

The ongoing phase-out plan calls for the percentage of true value at which tangible personal property is listed for tax purposes to be reduced gradually to zero. For the 2008 tax year, tangible personal property was listed at 6.25 percent of true value. For most taxpayers, the tax ended with the final payments due in September 2008. This general listing percentage fell to zero for 2009 and subsequent years.

In 2009 and 2010, 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. For details, see **Tax Base**, below.

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 of true value for tax year 2007, 6.25 percent of true value for tax year 2008 and zero starting in tax year 2009.

Taxable value is determined by applying the appropriate assessment percentage 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 (essentially, the cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally Dec. 31).

Although the tax was phased out for most taxpayers in 2009, it continued to apply to telephone companies and inter-exchange telecommunications companies through tax year 2010. The tax phases out for these companies over a two-year period. 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 zero percent in 2011.

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. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, and special districts.

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 tax rate on tangible property in 2008 was 81.88 mills.

Exemptions and Exceptions

Exemptions include:

- the first \$10,000 of otherwise taxable value for each company. 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 ended in FY 2009 (R.C. 5709.01).

- 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. 5709.20–5709.28).
- 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

Tangible personal property tax replacement payments (R.C. 5751.20 – 5751.22)

Schools and local governments are reimbursed for the loss of tax revenue due to the elimination of the tax on tangible personal property. The commercial activity tax is the primary

revenue source for the tax replacement payments (although the state General Revenue Fund is used as a funding source if commercial activity tax revenues are not sufficiently large to fund the mandated replacement payments). The replacement payments are based on levies approved before Sept. 1, 2005 and tangible personal property values that existed as of Aug. 31, 2005. As revenue from taxes on tangible personal property has fallen since tax year 2005, replacement payments to schools and local governments have been ramped up in order to hold these entities “harmless” on qualifying levies through fiscal year 2011. The replacement payments to local governments will begin to decline in fiscal year 2012. Replacement payments to schools will begin to decline in fiscal year 2014. However, schools collectively are guaranteed to permanently receive 70 percent of all commercial activity tax revenue, which means that as the replacement payments decline after fiscal year 2014, the schools will nonetheless continue to receive distributions from the commercial activity tax based on a formula to be determined in future legislation.

Enterprise Zone Abatements (R.C. 5709.61 – 5709.69)

Companies may receive up to a 75 percent exemption for up to 15 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 the school district in question.

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 a reimbursement to local subdivisions for the revenues lost due to this exemption began in fiscal year 2004. The phase-out was scheduled to end in fiscal year 2009.

Filing and Payment Dates

(R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03)

Feb. 15 to April 30 – 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 – By this date, the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

Third Monday in August – County auditors certify and deliver tangible personal property lists to county treasurers.

Sept. 20 – 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 2009, school districts received 71 percent of the total revenue. Municipalities received 5 percent, townships received 5 percent, and counties and special districts collectively received 19 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.

Table 1

Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2005-2009					
Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2005	\$21,330,431,245	\$1,695,986,799	30.0%	2.7%	79.51
2006	16,666,716,199	1,345,184,777	-21.9%	-20.7%	80.71
2007	12,271,111,018	1,002,333,421	-26.4%	-25.5%	81.68
2008	6,592,078,011	539,740,043	-46.3%	-46.2%	81.88
2009	631,973,540	55,051,474	-90.4%	-89.8%	87.11

Table 2

Taxes Levied on Tangible Personal Property by Subdivision, Tax Years 2005-2009						
Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
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
2007	53,546,471	717,690,030	42,329,372	188,767,548	322,319,603	1,324,653,024
2008	28,538,252	385,853,987	24,375,012	100,972,792	410,272,854	950,012,897
2009	2,987,626	39,058,367	2,609,151	10,396,330	323,757,242	378,808,716

1 Includes Joint Vocational Schools.
2 Includes special districts.

Table 3

Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1999-2010						
Tax Year	Manufacturing Machinery and Equipment	Manufacturers'¹ Inventories	Merchants' Inventories	Electrical Equipment¹	Telephone and Inter-exchange Telecommunications Property³	All Other Property²
1999-2001	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	20.00	12.50
2008	6.25	6.25	6.25	85.00	15.00	6.25
2009	0.00	0.00	0.00	85.00	10.00	0.00
2010	0.00	0.00	0.00	85.00	0.05	0.00

¹ Property used in generating electricity to others (except utilities).

² Includes furniture and fixtures.

³ Beginning in tax year 2007, telecommunications property is listed as general tangible personal property (and no longer listed as public utility personal property).

Table 4

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2009							
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	\$955,640	\$47,957	50.18	LOGAN	\$2,324,880	\$144,823	62.29
ALLEN	5,177,060	300,569	58.06	LORAIN	13,045,070	1,047,285	80.28
ASHLAND	2,618,720	191,355	73.07	LUCAS	24,475,780	2,340,672	95.63
ASHTABULA	11,712,830	878,340	74.99	MADISON	2,585,800	172,669	66.78
ATHENS	2,946,520	233,081	79.10	MAHONING	10,544,900	875,407	83.02
AUGLAIZE	3,121,590	197,017	63.11	MARION	2,514,560	163,648	65.08
BELMONT	2,632,340	165,504	62.87	MEDINA	7,321,770	670,259	91.54
BROWN	1,543,250	80,764	52.33	MEIGS	1,019,140	48,379	47.47
BUTLER	15,192,710	1,145,661	75.41	MERCER	1,869,190	107,630	57.58
CARROLL	1,021,670	55,660	54.48	MIAMI	3,693,300	252,104	68.26
CHAMPAIGN	2,093,960	143,888	68.72	MONROE	697,140	35,143	50.41
CLARK	5,626,190	419,585	74.58	MONTGOMERY	27,723,810	2,879,232	103.85
CLERMONT	8,421,700	711,983	84.54	MORGAN	599,130	32,252	53.83
CLINTON	2,205,850	116,976	53.03	MORROW	2,498,940	141,921	56.79
COLUMBIANA	3,799,380	217,894	57.35	MUSKINGUM	2,935,810	198,253	67.53
COSHOCTON	1,483,100	91,179	61.48	NOBLE	575,840	29,256	50.81
CRAWFORD	1,650,210	122,638	74.32	OTTAWA	2,425,300	164,554	67.85
CUYAHOGA	90,732,150	9,695,853	106.86	PAULDING	N/A	N/A	N/A
DARKE	1,803,230	93,803	52.02	PERRY	989,110	61,525	62.20
DEFIANCE	2,456,980	147,768	60.14	PICKAWAY	2,444,770	146,366	59.87
DELAWARE	13,240,530	1,060,797	80.12	PIKE	1,254,630	72,318	57.64
ERIE	4,345,990	369,665	85.06	PORTAGE	7,256,290	672,031	92.61
FAIRFIELD	3,749,920	291,416	77.71	PREBLE	1,896,100	99,297	52.37
FAYETTE	1,541,010	88,435	57.39	PUTNAM	1,689,560	85,483	50.60
FRANKLIN	77,731,440	8,135,538	104.66	RICHLAND	5,466,970	437,502	80.03
FULTON	2,144,810	158,710	74.00	ROSS	7,598,130	465,796	61.30
GALLIA	1,185,480	55,259	46.61	SANDUSKY	2,540,400	151,063	59.46
GEAUGA	6,952,150	681,298	98.00	SCIOTO	2,775,230	170,276	61.36
GREENE	7,148,080	559,743	78.31	SENECA	2,815,440	177,682	63.11
GUERNSEY	1,805,720	106,647	59.06	SHELBY	1,880,520	112,947	60.06
HAMILTON	61,887,490	5,894,798	95.25	STARK	14,974,290	1,179,742	78.78
HANCOCK	2,738,190	166,375	60.76	SUMMIT	32,666,120	3,015,129	92.30
HARDIN	1,323,370	74,760	56.49	TRUMBULL	9,580,860	736,434	76.87
HARRISON	640,420	39,208	61.22	TUSCARAWAS	3,503,900	235,672	67.26
HENRY	2,291,530	167,374	73.04	UNION	2,297,480	176,378	76.77
HIGHLAND	4,013,130	184,365	45.94	VAN WERT	1,196,680	80,772	67.50
HOCKING	1,040,240	63,200	60.76	VINTON	902,420	42,638	47.25
HOLMES	1,276,080	73,783	57.82	WARREN	11,619,070	986,093	84.87
HURON	2,564,190	153,896	60.02	WASHINGTON	2,199,500	121,065	55.04
JACKSON	1,309,910	59,348	45.31	WAYNE	5,635,940	425,749	75.54
JEFFERSON	2,416,610	146,419	60.59	WILLIAMS	2,018,690	143,398	71.04
KNOX	3,569,000	228,390	63.99	WOOD	6,708,210	548,997	81.84
LAKE	10,940,850	995,982	91.03	WYANDOT	830,150	44,226	53.28
LAWRENCE	1,622,380	61,952	38.19				
LICKING	7,709,120	484,577	62.86	TOTAL	\$631,973,540	\$55,051,474	87.11

Table 5

Tangible Personal Property Tax -Tax Replacement Payments by County, Fiscal Year 2010			
County	Tax Replacement Payments ¹	County	Tax Replacement Payments ¹
ADAMS	\$913,964	LOGAN	\$9,373,413
ALLEN	19,227,530	LORAIN	33,795,193
ASHLAND	5,993,142	LUCAS	72,758,113
ASHTABULA	15,679,109	MADISON	5,111,507
ATHENS	3,367,956	MAHONING	24,345,040
AUGLAIZE	7,551,959	MARION	8,106,709
BELMONT	4,476,628	MEDINA	22,078,666
BROWN	982,261	MEIGS	617,279
BUTLER	44,832,748	MERCER	3,342,164
CARROLL	1,028,472	MIAMI	18,088,616
CHAMPAIGN	5,003,440	MONROE	3,162,855
CLARK	12,889,405	MONTGOMERY	88,229,377
CLERMONT	14,399,545	MORGAN	496,115
CLINTON	5,519,163	MORROW	1,496,997
COLUMBIANA	6,583,157	MUSKINGUM	8,929,814
COSHOCTON	3,835,973	NOBLE	628,359
CRAWFORD	7,333,384	OTTAWA	4,243,501
CUYAHOGA	218,991,881	PAULDING	1,265,209
DARKE	3,898,807	PERRY	1,509,243
DEFIANCE	6,519,907	PICKAWAY	5,281,493
DELAWARE	14,401,328	PIKE	6,021,928
ERIE	18,464,223	PORTAGE	21,737,202
FAIRFIELD	9,071,379	PREBLE	3,723,982
FAYETTE	3,055,966	PUTNAM	3,118,015
FRANKLIN	198,561,901	RICHLAND	21,214,499
FULTON	8,502,407	ROSS	9,269,418
GALLIA	2,100,670	SANDUSKY	11,374,431
GEAUGA	14,277,083	SCIOTO	4,290,955
GREENE	12,317,587	SENECA	6,933,191
GUERNSEY	4,059,672	SHELBY	13,549,633
HAMILTON	148,662,471	STARK	51,506,282
HANCOCK	14,379,264	SUMMIT	83,535,672
HARDIN	2,929,192	TRUMBULL	28,499,249
HARRISON	1,163,374	TUSCARAWAS	11,823,151
HENRY	5,286,740	UNION	16,949,745
HIGHLAND	1,831,489	VAN WERT	2,660,607
HOCKING	1,496,009	VINTON	526,848
HOLMES	3,350,688	WARREN	32,098,622
HURON	5,461,721	WASHINGTON	10,639,824
JACKSON	2,180,037	WAYNE	18,570,997
JEFFERSON	7,325,688	WILLIAMS	6,756,075
KNOX	5,215,273	WOOD	23,246,427
LAKE	38,751,419	WYANDOT	3,091,853
LAWRENCE	1,678,629		
LICKING	13,821,994	TOTAL	\$1,631,372,904

¹ Consists of payments made to school districts and local governments. School district payments reflect both "direct" replacement payments and "indirect" replacement payments made to schools through a reduction in the school foundation charge-off. Figures reflect payments made in August 2009, October 2009, and May 2010.



Public Utility Excise Tax

Ohio's public utility excise tax is a tax on the privilege of doing business in Ohio, measured by gross receipts. It dates back to 1894.

Classes of utilities liable for the tax include natural gas, heating, pipeline, telegraph, water transportation and water works companies. Companies liable for this excise tax do not pay the corporation franchise tax or the commercial activity tax.

Gross receipts comprise the tax base for the utility classes, with rates of 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers.

Close to \$132 million in public utility excise tax liabilities were reported during the 2010 tax year. Of this, natural gas companies accounted for about 97 percent of total tax reported.

Total revenue collected from the public utility tax amounted to \$136.7 million in fiscal year 2010. All of this revenue was distributed to the General Revenue Fund.

Taxpayer

Taxpayers with public utilities excise tax liability include heating, pipeline, water transportation, water works, and natural gas companies. Although Ohio no longer has telegraph companies, such companies would also be subject to the tax.

Public utilities owned by municipal corporations are exempt from the tax. So are all telephone companies, inter-exchange telecommunications companies, electric companies, rural electric companies, nonprofit water companies, and railroads.

Tax Base

(Ohio Revised Code 5727.01)

The tax is measured by taxable gross receipts.

Rates

(R.C. 5727.25 and 5727.38)

The tax rate is 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers. A minimum tax of \$50 applies each tax year.

Exemptions and Deductions

(R.C. 5727.05, 5727.33)

All companies receive a standard annual deduction of \$25,000. Since May 1, 2000, natural gas companies that pay quarterly have instead received a \$6,250 deduction on each quarterly return.

Additionally, the following gross receipts are exempt from the tax:

- amounts attributable to sales of merchandise.
- receipts derived wholly from interstate business.
- sales to other public utilities for resale.
- receipts from business done for the federal government.
- amounts billed on behalf of other entities by natural gas companies.

Credits

(R.C. 5727.29, 5727.241)

Natural gas companies that pay quarterly are able to take a refundable credit against their quarterly payments equal to one-sixtieth of their total estimated payments made in October 1999, March 2000, and June 2000. This credit could first be claimed on the return due Nov. 15, 2001. It will expire when the entire amount of the estimated payments is taken as the credit or in 15 years, whichever comes first.

Also, natural gas companies may claim a refundable or nonrefundable venture capital credit against the excise 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.

Filing and Payment Dates

Most taxpayers

Annual statements – Company annual statements (returns) are due to the Tax Commissioner by Aug. 1 for the tax year ending April 30 (June 30 for telegraph companies). Taxpayers may request an extension of up to 60 days.

Tax certifications – By the first Monday in November, the Tax Commissioner assesses the amount of tax due for the year and certifies that amount both to the company and to the Treasurer of State.

Advance payments (R.C. 5727.25 and R.C. 5727.31) – Companies with a tax liability of \$1,000 or more during the preceding year are required to make three advance payments, each in an amount equal to one-third of the previous year's certified tax liability. These advance payments are due to the Treasurer of State on Oct. 15, March 1, and June 1.

Final payments (R.C. 5727.42) – When the current year's total tax liability exceeds the sum of the three advance payments, a final payment is due for the difference. Bills are generally issued in November, within 20 days of certification by the Tax Commissioner, and are due 30 days after their mailing by the Treasurer of State. A refund is issued if advance payments

exceed the total liability certified by the Tax Commissioner.

Natural gas companies

Beginning May 1, 2000, natural gas companies that exceeded \$325,000 in annual liability began paying the excise tax quarterly. Quarterly payments are due 45 days after the end of each calendar quarter.

Natural gas companies below the \$325,000 threshold pay annually, with payment due 45 days after the last day of the fourth quarter.

Disposition of Revenue

(R.C. 5727.45)

Traditionally, by statute, the bulk of public utility excise tax revenue was distributed to the General Revenue Fund, and the remainder was divided among the local government funds. However, House Bill 119, the fiscal year 2008-09 operat-

ing budget bill enacted in 2007, revised the structure, formula and the revenue accounting associated with the local government funds.

Beginning in January 2008, all revenues from the public utility excise tax were directed to the General Revenue Fund. For details on the local government fund changes, see the **Revenue Sharing** section of this book.

Administration

The Tax Commissioner administers the tax and certifies to the Treasurer of State the amounts to be collected.

Ohio Revised Code Citations

Chapters 5703 and 5727.

Table

Class of Utility	Number of Taxpayers in 2010	Tax Rate 2010	Public Utility Excise Tax Levied By Class of Utility: Tax Years 2006 - 2010 ¹				
			Tax Year				
			2006	2007	2008	2009	2010
Natural Gas ²	29	4.75%	\$183,273,754	\$154,729,267	\$160,813,160	\$158,960,642	\$127,582,454
Waterworks	15	4.75%	3,340,085	3,218,411	3,450,173	3,663,672	2,076,123
Pipeline	16	6.75%	437,523	616,522	138,309	1,108,047	1,000,979
Other ³	5	4.75%	<u>1,878,200</u>	<u>2,056,638</u>	<u>2,323,172</u>	<u>2,592,214</u>	<u>959,161</u>
Total	65		\$188,929,562	\$160,620,838	\$166,724,814	\$166,324,574	\$131,618,718

Source: Treasurer of State.

¹ Amount of tax certified for collection (except for natural gas companies beginning in 2001).

² Beginning in 2001, natural gas companies now use a current payment schedule and measurement period; the figures represent tax payments made by natural gas companies during fiscal years 2006 through 2010.

³ Includes water transportation and heating.



Replacement Tire Fee

The replacement tire fee generates revenue intended to defray the cost of regulating scrap tire facilities and to abate accumulations of scrap tires. Revenue from the fee also funds grants to promote research regarding alternative methods of recycling scrap tires and loans to promote the recycling or recovery of energy from scrap tires. The fee was enacted by the Ohio General Assembly effective Dec. 1, 1993.

In fiscal year 2010, approximately \$7 million was collected for the state's Scrap Tire Management Fund.

Taxpayer

(Ohio Revised Code 3734.903)

The fee is paid by any wholesale distributor of replacement tires or by any retail dealer acquiring tires on which the fee has not been paid.

Tax Base

(R.C. 3734.90, 3734.901)

The fee applies to the sale of new tires with rims of 13 inches or more designed for use on a motor vehicle and sold as replacements. Tires that are used, or retreaded, or tires on a new motor vehicle are not subject to the fee.

Rate

(R.C. 3734.901)

The fee is \$1 per tire.

Special Provisions

(R.C. 3734.904)

If the return and total fees due are filed and paid on time, then the taxpayer is entitled to a discount of 4 percent on the total amount owed.

Filing and Payment Dates

(R.C. 3734.904)

Returns and payments are due on the 20th day of each month.

Disposition of Revenue

(R.C. 3734.901, 3734.9010)

The Tire Fee Administration Fund receives 2 percent for appropriation to the Department of Taxation to cover the costs of administering the fee. The remaining 98 percent of the revenue is distributed to the Scrap Tire Management Fund.

Administration

The fee and its distribution are administered by the Tax Commissioner.

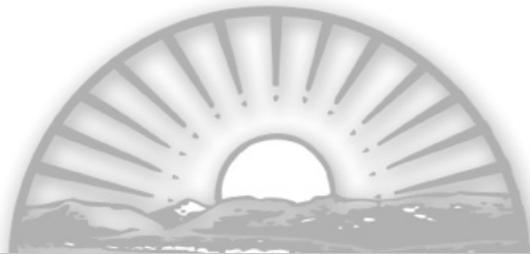
Ohio Revised Code Citations

R.C. 3734.90 – 3734.99.

Table

Fiscal Year	Replacement Tire Fee Revenue: Fiscal Years 2006 – 2010		
	Scrap Tire Management Fund	Administrative Fund	Total
2006	\$7,141,764	\$153,535	\$7,295,299
2007	7,089,479	144,776	7,234,255
2008	7,118,699	145,363	7,264,062
2009	7,025,050	142,862	7,167,912
2010	6,949,819	141,833	7,091,652

Source: Office of Budget and Management monthly accounting report (OH GL070).



Resort Area Gross Receipts Tax

The resort area gross receipts tax is a business privilege tax that may be enacted by local governments that have declared themselves to be a resort area. Revenues from the tax benefit the municipality or township that enacted it. The tax was authorized by House Bill 327 of the 120th General Assembly, which became law on June 30, 1993.

The village of Kelleys Island enacted the first resort area gross receipts tax in 1993. The village and township of Put-in-Bay followed suit in 1996.

Municipalities and townships may declare themselves to be a resort area for purposes of enacting the tax if they meet a three-pronged test:

- at least 62 percent of total housing units are for seasonal use as of the last federal census;
- entertainment and recreation facilities are provided within the community that are primarily intended to provide seasonal leisure activity for nonresidents; and
- the municipality or township experiences seasonal peaks of employment and service demand because of a seasonal population increase.

If a municipality or township declares itself to be a resort area and enacts the tax as specified in the Revised Code, the tax is levied on businesses making general sales or providing certain services in the resort area.

During fiscal year 2010, the tax generated approximately \$834,081 divided among those jurisdictions that levied it, according to the rates in effect in each.

Taxpayer

(Ohio Revised Code 5739.101(B)(2))

The resort area gross receipts tax is paid by persons making general sales, or providing intrastate transportation or other services taxable under the state sales tax base, within a designated resort area.

Tax Base

(R.C.5739.101(B)(1)(2))

The tax is levied on the privilege of doing business in the resort area. It is measured by gross receipts generated from sales made and services provided within the boundaries of a designated resort area as well as intrastate transportation to and from such an area.

Gross receipts are defined as activities, without deduction for the cost of goods sold or other expenses incurred, that contribute to the production of the gross income of a business. Gross receipts that are part of the tax base include:

- Wholesale and retail sales, including food consumed on the premises.

- Rentals and leases of watercraft, golf carts, bicycles, videos, and fishing tackle.
- Hotel and motel room rentals.
- Sales of repair and installation labor.
- Warranties, maintenance or service contracts.
- Sales of certain personal and professional services that are also subject to sales tax.

Rates

(R.C.5739.101(B)(2))

The tax may be levied at rates of 0.5 percent, 1 percent, or 1.5 percent. Currently, only three jurisdictions have enacted the tax: the village of Kelley's Island, the village of Put-in-Bay, and the township of Put-in-Bay. The rate in each jurisdiction is 1.5 percent.

Exemptions

(R.C.5739.101(B)(1))

There are a limited number of gross receipts that are exempt from the calculation of the tax:

- Food sold for off-premises consumption.
- Installation of improvements to residential or business real property and repair of those installed items.
- Attorney, legal or medical services.
- Charter fishing trips.
- Dockage fees.
- Campsite fees.
- Waste disposal fees.

Credits

There are no credits available against this tax.

Special Provisions

The resort area gross receipts tax is not a sales tax or a tax on transactions. It cannot be separately listed on an invoice or receipt to customers, nor can it be collected directly from customers.

Filing and Payment Dates

There are two semi-annual reporting periods for the tax. Returns are due to the Tax Commissioner approximately 30 days after the close of each reporting period:

- Jan. 1 through June 30 – returns are due July 31.
- July 1 through Dec. 31 – returns are due Jan. 31.

Disposition of Revenue

Revenue from the resort area gross receipts excise tax is distributed to the general fund of the township or municipality that levied the tax.

Table

Resort Area Gross Receipts Net Tax Revenue, Fiscal Years 2005-2010				
Fiscal Year	Village of Put-in-Bay	Township of Put-in-Bay	Village of Kelley's Island	Total
2005	\$359,854	\$149,331	\$110,734	\$619,919
2006	353,634	152,261	125,231	631,126
2007	444,879	168,484	158,797	772,160
2008	436,515	194,694	116,090	747,299
2009	466,174	195,996	93,360	755,500
2010	437,607	211,814	184,660	834,081



Sales and Use Tax

The sales and use tax is state government's second-largest source of revenue. It also represents an important revenue source for county governments and regional transit authorities which are authorized to levy "piggyback" taxes also administered by the Ohio Department of Taxation.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted a 3 percent sales tax effective January 1935. The use tax followed a year later. 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 2010, the tax generated about \$7.25 billion in revenue for state government. Of that amount 97.6 percent or \$7.1 billion was distributed to the General Revenue Fund. The balance was distributed to the Public Library Fund.

The department collects the combined state and local tax, then distributes the local share of revenue 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, 2010, all 88 Ohio county governments levied permissive sales and use taxes ranging from 0.50 percent to 1.5 percent. During the 2010 calendar year, the state collected approximately \$1.4 billion for county governments from such levies.

As of July 1, 2010, eight transit authorities also levied sales and use taxes of up to 1 percent. They were: the Greater Cleveland Regional Transit Authority, the Central Ohio Transit Authority, the Laketransit Authority (Lake County), the Western Reserve Transit Authority (Mahoning County), the Greater Dayton Regional Transit Authority, the Portage Area Regional Transit Authority, the Stark Area Regional Transit Authority and the Metro Regional Transit Authority (Summit County). In calendar year 2010, the state collected about \$351.1 million for these transit authorities.

Ohio is an associate member of the Streamlined Sales Tax Project, a multi-state effort to make sales tax laws, rules, and systems more uniform among states. The goal is to make it easier for those who make sales in multiple states to voluntarily collect and remit sales taxes to each of those states (federal law currently exempts sellers from this collection responsibility unless they have a physical presence in a state).

As part of Ohio's continued participation in the Streamlined Sales and Use Tax Agreement, changes to the sourcing of sales of tangible personal property and taxable services were effective January 1, 2010. These changes allow Ohio

to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers. Other sales are sourced to the location where the consumer receives the property or service that was sold. For the majority of vendors, these changes have little or no impact on their method of doing business.

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 sales tax has not been paid is required to file a return and remit the sales or use 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. The tax also applies to 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 services;
- private investigation and security services;
- 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;
- personal care services;
- transportation of persons by motor vehicle or aircraft entirely within this state;
- motor vehicle towing services;
- snow removal services; and
- electronic publishing services.

Exhibit 1

Description of Sales Tax Taxpayers and Vendor's Licenses		
Taxpayer	Cost of License	Description
Vendor	\$25	Each person or business establishment located in Ohio making retail sales.
Service vendor	\$25	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.
Transient vendor	\$25	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
Delivery vendor	\$25	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.
Seller	No fee	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
Direct pay permit holder	No fee	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.
Clerks of court	No fee	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.
Division of Liquor Control	No fee	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
Consumers' use tax account	No fee	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.

The tax also applies to 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 use tax base is identical to that of the sales tax. Use tax applies to purchases made outside of Ohio and to purchases made from Ohio vendors if the vendor did not charge sales tax. For additional information on use tax, see the discussion in Rates, below, under Sourcing.

Total Rates	Number of Jurisdictions
6.25 %	4
6.50 %	24
6.75 %	16
7.00 %	43
7.75 %	1

Rates

(R.C. 5739.02, 5739.021, 5739.023, 5739.025, 5739.026, 5741.02, 5741.021 -- 5741.023)

State rate

The state sales and use tax rate has been 5.5 percent since July 1, 2005.

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 table shows the number of counties at each total combined state and local tax rate as of July 1, 2009.

Note: Four Ohio counties – Delaware, Fairfield, Licking and Union – have more than one combined sales and use tax rate

in effect because a small part of their area lies within the territory of the Central Ohio Transit Authority (COTA). The table above does not reflect the 0.5 percent COTA rate that applies in part of these four counties.

Rate schedule

A combined sales tax schedule that includes local levies is outlined in R.C. 5739.025.

Sourcing

For taxable sales made by Ohio vendors and delivered to an Ohio consumer, the sales tax rate is based on the location where the vendor receives the order. Sales made by out-of-state vendors are generally sourced to the location where the consumer receives the tangible personal property.

Exceptions include services such as 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 received.

Special sourcing rules are in place for certain sales of electronic information services, electronic publishing services and 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.

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

Effective Jan. 1, 2010, a consumer has no additional use tax liability on the purchase of tangible personal property if the consumer paid sales tax to a vendor, regardless of whether the amount of sales tax invoiced is calculated at the rate where the consumer receives the property or the rate where the vendor received the order. Consumers do, however, have a liability on purchases made out-of-state, by catalog or via the Internet on which no sales tax has been paid. The tax can be remitted either on state income tax returns or by filing a use tax voluntary payment form.

Exemptions and Exceptions

(R.C. 5709.25, 5739.01, 5739.011, 5739.02, 5741.02, 6121.16, 6123.041)

The sales and use tax does not apply to:

- 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 (except for the sale of 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 the repair, alteration, or propelling of such vessels;
- material, machinery, equipment, and other items used in packaging property to be sold at retail;
- all drugs for a human being dispensed by 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 by 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 most other states and Canada, provided that the other state or province does not collect sales tax from Ohio residents for motor vehicles purchased there or provided that the state offers a credit to their residents for vehicles purchased in Ohio;
- 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 by holders of exempt facility certificates issued by the Tax Commissioner in air, noise, or water pollution control facilities or in energy conversion, solid waste energy conversion, or thermal efficiency improvement facilities;
 - 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;
 - as defined by federal law, normally taxable food items, such as soft drinks, 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 made to qualifying certified teachers and used for educational purposes;
 - sales of certain tangible personal property made to qualified motor racing teams;
 - 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;
 - items used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing;
 - items used in the repair and maintenance of aircraft and avionics systems for aircraft;
 - repair, remodeling, replacement, or maintenance services performed on aircraft or on an aircraft's engine, avionics, or component materials or parts;
 - sales of full flight simulators that are used for pilot or flight-crew training and repair and replacement parts or components for such full flight simulators; and
 - repair and maintenance services for full flight simulators.
- Also, Ohio law:
- permits a 25 percent sales tax refund for qualified computer purchases for providers of electronic information services;
 - caps at \$800 the sales or use tax on any aircraft sold as a fractional share aircraft; and
 - exempts from the use tax items that are 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.
- Ohio law also 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 being produced;
- 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.

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. In most cases, total combined local levies may not exceed 6 percent. In certain cases, a portion of the receipts is 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)

Vendors are required to remit payment by electronic funds transfer (EFT) in cases where annual liability exceeds \$75,000 per calendar year. (Taxpayers required to use this payment method will be notified by the department.) Vendors that do not meet the \$75,000 threshold may request authorization by the Treasurer of State to remit tax payments by EFT.

Accelerated tax payment (R.C. 5739.032, 5739.122, 5741.121)

Vendors required to remit tax by EFT are required to make advance payment of 75 percent of each month's anticipated tax by the 23rd day of that month. These vendors are still required to file a return by the 23rd of the next month and pay the balance of their tax due, along with that month's accelerated payment.

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.

Discount

(R.C. 5739.12, 5741.12)

Payments made on or before the due date entitle the vendor to a discount of 0.75 percent of the amount due. (Example: \$5,000 tax due – \$37.50 discount = \$4,962.50 net tax due.)

Disposition of Revenue

State sales and use tax (R.C. 5739.21, 5741.03)

During fiscal year 2010, the General Revenue Fund (GRF) received 97.6 percent of sales and use tax revenues, and the Public Library Fund (PLF) received 2.4 percent.

The percentage of state sales tax revenue credited to the PLF varies from year to year based on a fixed percentage of all tax collections into the GRF. One half of each monthly transfer from the GRF to the PLF is credited against the state sales tax portion of GRF revenues.

County permissive sales and use tax (R.C. 5739.21, 5741.03)

Ninety-nine percent of revenue is distributed to the general

Exhibit 2

Type of Sales Tax Returns and Filing Payment Dates		
Note: All monthly and semi-annual returns must be filed electronically as of the first filing period in 2009.		
Type of Return	Taxpayer	Payment Date
Weekly	Clerks 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. 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.
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.

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.

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 Court Decisions

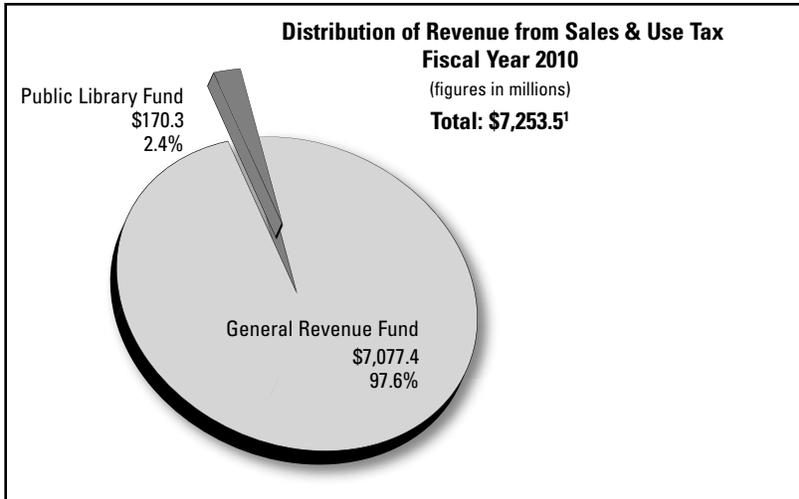
Levin v. Commerce Energy, Inc., 130 S.Ct. 2323 (June 1, 2010)

Independent marketers of natural gas filed an action under the federal Tax Injunction Act alleging discriminatory taxation. In part, the marketers asserted that the imposition of sales and use taxes on their sales of natural gas while exempting such sales by local distribution companies violated the Commerce Clause and Equal Protection Clause of the United States Constitution. The United States Supreme Court held that the allegations of discriminatory taxation must be brought in state court and dismissed the federal court action.

International Business Machines Corp. v. Levin, 2010-Ohio 1861 (May 5, 2010)

Here the Court affirmed the Tax Commissioner's denial of interest on sales tax refunds claims filed under Ohio Revised Code 5739.071. That provision allows a partial refund of sales tax paid by providers of electronic information services on purchases of computers, related equipment and software. The Court held that the provision for payment of interest on general refund claims in Ohio Revised Code 5739.132(B) did not authorize the payment of interest of refunds claimed under Ohio Revised Code 5739.071.

Chart



¹ Includes Attorney General collections which amount to \$5.8 million.

Table 1

Sales and Use Tax - Collections By Type of Payments
(includes State and County/Transit Authority Permissive Tax)
Fiscal Year 2010

The figures in this table 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.

Also, local sales and use tax collections include deposits into the Local Sales Tax Administration Fund, amounting to \$17,026,357. The local sales and use tax figure reflects collections during the July 2009 – June 2010 period (rather than distributions made during the July 2009 – June 2010 period).

Type	Amount FY 2010
Vendor's Sales	\$6,181,814,889
Motor Vehicle and Water Craft (from Clerks of Court)	1,093,337,359
Seller's Use	941,669,890
Consumers' Use	300,488,162
Direct Payment	392,371,687
Streamlined Sales	4,956,903
Liquor Sales by Division of Liquor Control	35,051,500
Attorney General Sales and Use Tax Collections	50,543,110
Total State and Local Collections	\$9,000,233,500
Less Local Sales and Use Tax Collections	1,713,941,413
Total State Collections	\$7,286,292,087

Source: Ohio Department of Taxation records and information from the state accounting system.

Table 2

State and Permissive (Local) Sales and Use Tax Collections, by Industrial Classification: July 2009 through June 2010 ¹					
Industrial Classification	NAICs codes	Number of Business Entities, January - June 2010 ²	July - December 2009 Collections	January - June 2010 Collections	Total FY 2010 Collections
Agriculture, Forestry, and Fishing	111100-115310	626	\$1,707,500	\$2,412,030	\$4,119,530
Mining	211110-213110	93	1,332,960	1,452,686	2,785,646
Utilities (excluding telecommunications)	221100-221300	99	35,601,572	85,092,479	120,694,051
Construction	236110-238900	1,528	17,090,176	14,192,285	31,282,461
Manufacturing	311110-339900	9,325	141,319,367	138,880,318	280,199,685
Wholesale Trade	423100-425120	4,061	67,938,229	69,025,990	136,964,219
Retail Trade:					
Motor Vehicle and Parts Dealers ³	441110-441300	5,673	145,260,227	151,967,989	297,228,216
Furniture and Home Furnishings Stores	442110-442299	3,901	83,511,434	84,817,137	168,328,571
Electronic and Appliance Stores	443111-443130	3,009	154,134,150	144,463,011	298,597,161
Building Material and Garden Equipment & Supplies	444110-444200	8,116	346,141,684	324,392,906	670,534,589
Food and Beverage Stores	445110-445310	7,332	210,855,384	202,844,806	413,700,189
Health and Personal Care Stores	446110-446190	8,347	118,492,504	117,437,227	235,929,730
Gasoline Stations	447100	1,490	77,985,852	74,803,638	152,789,490
Clothing and Clothing Accessories Stores	448110-448320	4,768	166,532,601	158,974,090	325,506,691
Sporting Goods, Hobby, Book, and Music Stores	451110-451220	6,739	101,514,475	91,100,208	192,614,683
General Merchandise Stores	452110-452900	4,707	567,215,088	531,921,706	1,099,136,795
Miscellaneous Store Retailers	453110-453990	28,823	425,837,830	415,042,555	840,880,385
Nonstore Retailers	454110-454390	4,123	59,685,743	65,872,415	125,558,158
Transportation and Warehousing	481000-493100	1,622	7,341,052	7,726,174	15,067,226
Information (including telecommunications)	511110-519100	3,444	350,713,064	330,354,200	681,067,264
Finance and Insurance	522110-525990	353	80,004,925	175,800,005	255,804,931
Real Estate, and Rental & Leasing of Property	531110-533110	3,446	82,805,480	87,709,215	170,514,695
Professional, Scientific and Technical Services	541110-541990	6,128	45,565,851	46,868,750	92,434,601
Management of Companies (Holding Companies)	551111-551112	29	1,454,576	2,765,074	4,219,649
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	11,283	135,972,120	134,705,104	270,677,224
Education, Health Care and Social Assistance	611000-624410	1,855	5,838,398	5,655,860	11,494,258
Arts, Entertainment, and Recreation	711100-713900	2,627	23,852,492	22,076,725	45,929,217
Accommodation and Food Services	721110-722410	19,051	361,260,976	353,969,649	715,230,625
Other Services	811110-812990	16,484	103,329,852	109,560,237	212,890,089
Unclassified	n/a	6,974	18,889,662	21,780,830	40,670,492
TOTAL⁴		176,056	\$3,939,185,223	\$3,973,665,300	\$7,912,850,523

Source: Ohio Department of Taxation records.

- 1 Industrial classification data reflects the principal business activity of each business entity, generally based on the industrial (NAICs) code indicated on the entity's sales or use tax registration form. In addition, the tax collection data reflected in this table primarily emanates from businesses that operate as vendors or sellers, who collect sales or use taxes from customers and remit such collections to the state. However, some businesses (such as manufacturers) remit the sales or use tax on their taxable purchases directly to the state instead of to their vendors and sellers, usually by means of a direct payment or consumer use tax account. Amounts remitted by entities that have these types of accounts are also included in this table.
- 2 Indicates the number of separate legal entities (not the number of separate locations) that filed and remitted sales or use tax at any time during the January through June 2010 period.
- 3 Tax collections from automobile and watercraft sales are not included in this table. Such taxes are collected by the county clerks of courts and then remitted to the state.
- 4 The data in this table is extracted from sales and use tax returns. The totals in this table do not match actual collections because this table does not include clerk of courts tax collections and because the table does not reflect subsequent adjustments made to tax returns, as well as revenue generated from audit activity.

Table 3

Sales & Use Tax				
Number of Accounts, By Type and Payment Schedule				
(As of July 1, 2010)				
Accounts	Payment Schedule			Total
	Semi-Annual	Monthly	Quarterly	
Vendor's (includes 37,395 master ¹ accounts issued by counties)	94,548	72,409		204,352
Master ¹ (accounts issued by the state)	236	3,239		3,475
Transient	31,447	2,628		34,075
Service	13,997	8,436		22,413
Delivery	9,438	1,461		10,899
Consumers'	0	1,100	13,510	14,610
Direct-Pay	0	316	<u>152</u>	468
Out-of-State	<u>7,810</u>	<u>7,521</u>		<u>15,331</u>
Total	157,476	97,110	13,662	305,623

¹ 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 4

County and Transit Authority Permissive Sales Tax Collections
Calendar Years 2005 - 2010

Municipalities whose boundaries extend both within and beyond Franklin County assess a COTA rate of 0.50% in addition to the posted state and county sales tax rate. Delaware's COTA rate covers the portions of the cities of Columbus and Westerville located in Delaware County; Fairfield's COTA rate covers the portions of the cities of Columbus and Reynoldsburg in Fairfield County; Licking County's COTA rate covers the portion of the city of Reynoldsburg located in Licking County, and Union's COTA rate covers the portion of the City of Dublin located in Union County.

Note: These figures are net of the 1.0% administration fee. These amounts are distributed to the counties and transit authorities two months following the collection month.

County	2005	2006	2007	2008	2009	2010	Initial Enactment	Tax Rate 6/31/10	Effective Date of Current Rate 12/31/10
ADAMS	\$3,048,760	\$2,969,347	\$3,183,996	\$3,118,975	\$2,962,554	\$3,244,305	June 1, 1991	1.50 ¹	Apr. 1, 2006
ALLEN	14,436,614	14,481,886	14,849,544	13,972,200	13,165,331	14,246,583	May 1, 1970	1.00	June 1, 1987
ASHLAND	6,148,759	6,124,578	6,285,331	6,317,590	5,767,699	6,014,104	Mar. 1, 1971	1.25 ²	Jan. 1, 1998
ASHTABULA	8,777,806	8,649,601	8,638,589	8,570,060	7,938,933	8,570,869	Apr. 1, 1977	1.00	July 1, 1985
ATHENS	5,808,440	5,995,215	6,250,298	6,358,789	6,413,526	6,735,970	Feb. 1, 1982	1.25 ²	Jan. 1, 1994
AUGLAIZE	6,525,568	6,629,972	6,915,103	7,035,131	6,230,098	6,615,638	Nov. 1, 1973	1.50 ¹	June 1, 1996
BELMONT	12,067,904	11,556,532	11,585,345	10,848,695	10,780,315	11,278,396	May 1, 1985	1.50 ¹	Jan. 1, 1995
BROWN	3,284,391	3,314,663	3,251,092	3,079,320	2,962,698	3,428,393	Aug. 1, 1979	1.50 ²	Oct. 1, 2010
BUTLER	22,607,419	40,662,380	41,317,070	33,112,821	29,766,768	29,589,370	June 1, 1985	0.75	Jan. 1, 2008
CARROLL	1,724,715	1,603,847	1,803,206	1,890,307	1,655,211	1,808,510	Sep. 1, 1985	1.00	July 1, 2006
CHAMPAIGN	4,357,255	4,550,508	4,481,444	4,625,788	4,034,562	4,054,478	Jan. 1, 1986	1.50 ¹	July 1, 2003
CLARK	16,494,817	18,400,110	13,429,820	18,791,959	18,679,244	19,451,080	Nov. 1, 1972	1.50 ²	Jan. 1, 2008
CLERMONT	20,614,510	20,838,670	21,257,485	20,378,457	19,140,719	20,136,697	Aug. 1, 1979	1.00	Oct. 1, 1983
CLINTON	5,293,755	7,627,289	7,821,787	7,128,412	6,931,659	6,136,736	May 1, 1972	1.50 ¹	Oct. 1, 2005
COLUMBIANA	11,293,699	8,281,444	11,094,523	12,603,339	11,690,608	12,501,158	Aug. 1, 1985	1.50 ¹	Apr. 1, 2007
COSHOCTON	2,754,626	3,957,148	4,387,300	4,451,826	4,080,863	4,320,072	June 1, 1971	1.50 ¹	Jan. 1, 2006
CRAWFORD	5,068,269	4,907,608	4,982,615	5,036,568	4,405,433	4,511,097	May 1, 1978	1.50 ¹	July 1, 1994
CUYAHOGA	167,156,017	169,299,614	179,932,073	212,711,596	194,026,358	205,211,697	Sep. 1, 1969	1.25 ²	Oct. 1, 2007
DARKE	4,903,446	6,799,401	7,500,135	7,141,728	6,373,738	6,319,928	July 1, 1975	1.50 ¹	Oct. 1, 2005
DEFIANCE	4,433,635	4,546,018	4,780,726	4,647,121	4,311,802	4,426,385	Feb. 1, 1987	1.00	Feb. 1, 1987
DELAWARE	32,540,265	33,762,217	36,304,531	35,941,918	35,899,776	38,088,578	Jan. 1, 1972	1.25 ²	Oct. 1, 1996
ERIE	12,091,821	12,448,397	12,544,818	12,749,346	11,766,426	12,754,912	Mar. 1, 1977	1.00	May 1, 1993
FAIRFIELD	10,863,626	11,011,730	11,326,997	11,564,477	11,668,564	15,769,483	Sep. 1, 1981	1.00	Jan. 1, 2010
FAYETTE	4,103,489	4,343,975	4,684,890	6,626,664	6,675,310	6,590,732	Mar. 1, 1983	1.50 ¹	Jan. 1, 2008
FRANKLIN	97,652,189	172,872,499	177,768,109	136,336,222	122,649,116	129,329,538	Sep. 1, 1985	0.75	Jan. 1, 2008
FULTON	4,056,451	4,078,807	4,058,595	4,147,325	3,728,875	5,598,907	May 1, 1972	1.50	Jan. 1, 2010
GALLIA	3,707,314	3,873,943	4,074,918	4,240,343	4,025,647	4,072,767	Dec. 1, 1981	1.25 ¹	Feb. 1, 1995
GEAUGA	10,623,796	10,928,863	11,632,972	11,453,277	10,409,829	10,533,228	Aug. 1, 1987	1.00 ²	Feb. 1, 2004
GREENE	19,258,566	20,408,306	21,106,684	20,903,959	20,558,891	21,130,730	Mar. 1, 1971	1.00	Feb. 1, 1987
GUERNSEY	5,607,908	5,824,558	5,860,713	5,849,364	6,131,011	6,094,236	Feb. 1, 1971	1.50 ¹	Aug. 1, 1993
HAMILTON	126,800,138	129,376,893	133,199,307	129,798,378	120,408,014	125,730,107	June 1, 1970	1.00 ¹	June 1, 1996
HANCOCK	7,049,929	5,377,722	5,619,402	5,365,589	11,218,865	11,033,039	Feb. 1, 1979	1.00 ²	Jan. 1, 2010
HARDIN	3,131,942	3,334,029	3,369,736	3,188,497	3,166,318	3,413,571	Oct. 1, 1985	1.50 ¹	Jan. 1, 2005
HARRISON	1,360,630	1,381,888	1,354,411	1,287,617	1,254,949	1,377,080	Dec. 1, 1985	1.50 ¹	Jun. 1, 1994
HENRY	2,492,774	2,934,326	3,224,179	3,678,937	3,428,056	3,666,295	Mar. 1, 1972	1.50 ¹	Apr. 1, 2007
HIGHLAND	4,015,905	5,091,812	5,172,130	4,952,521	4,874,812	5,208,362	May 1, 1979	1.50 ¹	July 1, 2005
HOCKING	2,645,245	2,808,952	2,864,739	2,847,045	2,727,787	2,909,631	Apr. 1, 1979	1.25 ²	Jan. 1, 1998
HOLMES	4,442,924	4,312,824	4,351,938	4,577,731	4,249,652	4,514,354	July 1, 1977	1.00	Jan. 1, 1998
HURON	7,709,108	7,785,060	7,851,113	7,593,299	6,926,248	7,598,363	Feb. 1, 1978	1.50 ¹	Jan. 1, 1996
JACKSON	4,448,993	4,482,840	4,512,968	4,356,868	4,173,994	4,487,441	Apr. 1, 1982	1.50 ¹	Jan. 1, 1998
JEFFERSON	9,431,938	9,722,077	10,369,775	10,445,767	9,437,739	9,866,645	June 1, 1973	1.50 ¹	Nov. 1, 1994
KNOX	5,236,888	5,384,622	5,404,741	5,439,283	4,951,627	5,206,251	May 1, 1971	1.00 ²	Feb. 1, 1994
LAKE	15,109,090	15,469,561	15,841,911	15,529,714	14,353,531	14,629,554	July 1, 1969	0.50	Aug. 1, 1988
LAWRENCE	6,244,193	6,496,600	6,723,374	6,808,072	6,587,932	7,260,402	June 1, 1986	1.50 ¹	Jun. 1, 1998
LICKING	16,784,668	23,730,294	24,751,138	24,283,013	23,055,893	23,619,086	Feb. 1, 1971	1.50 ¹	Jan. 1, 2006
LOGAN	7,419,757	7,350,392	7,525,447	7,706,490	6,796,016	6,888,277	Jan. 1, 1974	1.50 ¹	July 1, 1997
LORAIN	22,040,916	23,025,723	23,760,781	22,873,860	30,262,475	26,902,971	July 1, 1985	0.75 ²	Apr. 1, 2010
LUCAS	70,590,574	70,824,075	71,801,939	70,363,214	64,340,305	68,074,916	Feb. 1, 1971	1.25 ²	Jan. 1, 1993
MADISON	3,994,396	4,115,639	4,387,076	4,580,027	3,828,322	3,997,908	Mar. 1, 1983	1.25 ²	July 1, 1999
MAHONING	17,624,685	27,620,917	28,431,266	27,981,245	25,971,965	27,477,879	Apr. 1, 1980	1.00 ¹	Oct. 1, 2005
MARION	6,385,213	6,677,482	\$7,189,172	6,884,440	6,255,481	6,509,927	Sep. 1, 1985	1.00	Apr. 1, 1992
MEDINA	9,247,658	9,557,722	11,510,099	19,162,818	18,058,064	18,677,184	Apr. 1, 1971	1.00 ¹	Oct. 1, 2007
MEIGS	1,090,965	1,158,194	1,230,960	1,225,559	1,214,295	1,265,083	Feb. 1, 1987	1.00	Feb. 1, 1987
MERCER	3,556,298	3,632,555	3,780,028	5,350,703	5,478,648	5,800,489	Nov. 1, 1971	1.50 ¹	Apr. 1, 2008
MIAMI	10,398,535	10,415,469	10,799,595	10,902,816	10,212,564	13,068,299	Dec. 1, 1969	1.25	Oct. 1, 2009
MONROE	1,205,190	1,206,671	1,358,363	1,511,174	1,437,392	1,456,441	Oct. 1, 1986	1.50 ¹	Jan. 1, 2010
MONTGOMERY	65,853,110	64,734,278	64,377,557	64,340,111	58,729,714	60,821,918	Jan. 1, 1971	1.00	July 1, 1989
MORGAN	1,057,294	1,008,824	1,060,863	1,168,308	1,135,842	1,188,810	Feb. 1, 1972	1.50 ¹	Apr. 1, 1990

(Cont'd. on the next page)

1 Includes a 0.50% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

2 Includes a 0.25% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

Table 4 (cont'd.)

County and Transit Authority Permissive Sales Tax Collections Calendar Years 2005 - 2010									
This table displays permissive sales tax revenue for counties and transit authorities in the years shown. Please note that some counties and transit authorities have repealed and then re-enacted the tax, or have changed the rate since the first enactment.									
County	2005	2006	2007	2008	2009	2010	Initial Enactment	Tax Rate 6/31/10	Effective Date of Current Rate
MORROW	\$2,693,181	\$2,659,921	\$2,789,891	\$2,732,270	\$2,418,133	\$2,615,260	July 1, 1971	1.50 ¹	July 1, 1995
MUSKINGUM	14,152,783	14,774,019	14,691,024	14,690,306	14,997,407	14,892,841	May 1, 1971	1.50 ¹	Apr. 1, 1993
NOBLE	1,008,093	1,005,701	1,056,971	1,047,565	1,093,626	1,090,451	Jan. 1, 1971	1.50 ¹	Feb. 1, 1995
OTTAWA	4,834,964	5,147,563	5,128,283	5,198,860	4,813,331	5,516,198	Oct. 1, 1973	150 ¹	July 1, 2010
PAULDING	1,599,105	1,589,247	1,596,866	1,563,396	1,352,623	1,515,998	Apr. 1, 1984	1.25	Nov. 1, 1991
PERRY	1,763,038	1,798,303	1,818,043	1,799,201	1,854,544	2,524,910	Mar. 1, 1971	1.50 ¹	Apr. 1, 2010
PICKAWAY	5,567,490	5,711,366	5,860,320	5,952,481	6,335,068	5,910,137	Oct. 1, 1983	1.50 ¹	Dec. 1, 2001
PIKE	2,275,828	3,378,628	3,448,304	3,649,439	3,444,775	3,691,117	May 1, 1988	1.50 ¹	Jan. 1, 2006
PORTAGE	13,751,342	14,386,517	14,884,820	15,133,049	14,468,521	15,924,811	Apr. 1, 1971	1.50 ¹	Dec. 1, 1999
PREBLE	4,436,626	4,388,893	4,383,637	4,340,758	3,978,709	4,444,872	Nov. 1, 1979	1.00	May 1, 1994
PUTNAM	3,211,813	3,152,349	3,450,810	3,378,346	3,810,132	4,078,573	Jan. 1, 1974	1.50 ¹	Jan. 1, 2009
RICHLAND	17,304,647	18,303,057	18,564,613	18,463,217	16,998,124	18,121,298	June 1, 1979	1.50 ¹	Apr. 1, 2005
ROSS	10,668,371	11,219,815	11,221,083	10,999,022	11,254,090	11,951,369	Jan. 1, 1980	1.25 ¹	Oct. 1, 1993
SANDUSKY	5,876,824	6,928,914	7,615,121	7,350,669	6,981,002	8,008,419	Aug. 1, 1979	1.50 ¹	Oct. 1, 2010
SCIOTO	8,449,421	8,744,475	9,177,698	9,227,388	9,176,979	10,048,182	May 1, 1979	1.50 ²	May 1, 2001
SENECA	6,652,424	6,747,142	6,748,385	7,088,480	6,380,064	6,800,668	Oct. 1, 1983	1.50 ¹	Aug. 1, 2003
SHELBY	7,737,780	7,950,025	8,109,136	7,490,908	6,539,566	6,816,661	Mar. 1, 1971	1.50 ¹	Apr. 1, 2008
STARK	11,233,477	11,506,507	11,789,500	11,669,979	24,059,403	18,532,610	Jan. 1, 1987	1.50 ¹	Apr. 1, 2010
SUMMIT	35,524,910	36,021,182	36,696,575	35,672,063	33,085,279	34,576,726	Mar. 1, 1973	0.50	Nov. 1, 1995
TRUMBULL	14,733,480	20,735,712	21,444,461	21,118,330	19,420,353	20,753,184	June 1, 1985	0.50	July 1, 2005
TUSCARAWAS	9,072,030	9,267,067	9,431,540	9,410,168	8,662,339	9,143,507	Apr. 1, 1971	1.00	July 1, 1998
UNION	7,070,147	7,163,498	8,354,287	9,630,696	8,956,881	9,294,054	Apr. 1, 1989	1.00	July 1, 2008
VAN WERT	3,548,502	3,480,108	3,457,911	3,542,444	3,268,999	3,773,437	Mar. 1, 1972	1.25 ²	Mar. 1, 1991
VINTON	763,791	790,618	868,227	829,382	794,454	895,288	May 1, 1985	1.50 ¹	Mar. 1, 1992
WARREN	24,605,083	24,976,707	26,750,180	26,612,718	26,201,291	27,206,741	Jan. 1, 1972	1.50 ¹	Jan. 1, 1992
WASHINGTON	8,956,175	9,411,203	9,800,889	9,662,989	9,027,451	9,811,462	Oct. 1, 1983	1.00 ¹	Jan. 1, 1990
WAYNE	8,342,911	8,294,021	8,529,027	8,486,153	7,722,607	8,106,668	Mar. 1, 1971	1.50 ¹	Jan. 1, 1992
WILLIAMS	4,529,832	4,754,966	4,923,737	4,942,414	4,351,902	4,573,015	Dec. 1, 1977	0.75	Oct. 1, 2003
WOOD	14,802,876	14,809,636	15,403,260	15,949,426	15,091,591	15,579,034	June 1, 1971	1.50 ¹	Nov. 1, 1987
WYANDOT	1,932,519	2,806,218	2,705,482	2,691,934	2,507,231	2,637,310	Feb. 1, 1985	1.00	Oct. 1, 2005
COUNTY TOTAL	\$1,221,774,249	\$1,361,669,941	\$1,405,634,797	\$1,396,160,722	\$1,328,414,534	\$1,390,049,665			
CLEVELAND RTA (CUYAHOGA CO.)	\$167,165,307	\$169,262,438	\$173,161,230	\$170,707,698	\$155,282,828	\$164,069,879	Oct. 1, 1975	1.00	Oct. 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	44,741,979	46,371,674	47,598,995	88,246,021	87,819,553	93,011,284	Sep. 1, 1980	0.50	Jan. 1, 2008
LAKETRAN TA (LAKE CO.)	7,552,509	7,728,333	7,913,161	7,744,815	7,157,306	7,294,636	Aug. 1, 1988	0.25	Aug. 1, 1988
WESTERN RESERVE TA (MAHONING CO.)					4,167,214	6,834,623		0.25	Apr. 1, 2009
GREATER DAYTON RTA (MONTGOMERY CO.)	32,923,985	32,363,030	32,185,370	32,149,806	29,341,697	30,373,587	July 1, 1980	0.50	July 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	3,412,879	3,583,445	3,705,852	3,775,726	3,608,868	3,976,097	Feb. 1, 2002	0.25	Feb 1, 2002
STARK AREA RTA (STARK CO.)	11,287,333	11,525,065	11,785,691	11,696,465	10,410,581	11,148,815	July 1, 1997	0.25	July 1, 1997
METRO TA (SUMMIT CO.)	17,749,845	17,989,459	18,306,155	24,848,457	32,829,001	34,385,448	Feb. 1, 1991	0.50	July 1, 2008
TRANSIT AUTHORITY TOTAL	\$284,833,837	\$288,823,443	\$294,656,453	\$339,168,988	\$330,617,048	\$351,094,368			
GRAND TOTAL	\$1,506,608,086	\$1,650,493,384	\$1,700,291,250	\$1,735,329,710	\$1,659,031,582	\$1,741,144,032			

Source: Department of Taxation, Revenue Accounting Division



Severance Tax

The severance tax, enacted by the Ohio General Assembly effective in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. The tax produced \$10.6 million during fiscal year 2010. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer

(Ohio Revised Code 5749.02)

The tax is paid by holders of severance permits.

Tax Base

(R.C. 5749.02)

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates

(R.C. 5749.02)

The tax rates on the severance of most natural resources are as follows:

Resource	Tax Rate
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Natural gas	2.5 cents per Mcf ¹
Oil	10 cents per barrel
Salt	4 cents per ton

The base tax rate on coal is 10 cents per ton. This does not include two additional levies that have applied since April 1, 2007:

- An additional 1.2 cents per ton on surface mining operations.
- An additional 12, 14 or 16 cents per ton reclamation tax on operations without a full cost bond, depending on the amount. This rate varies based on the amount remaining in the state Reclamation Forfeiture Fund at the end of each state budget biennium. The rate is 12 cents if the balance of the fund is \$10 million or more; 14 cents if it is between \$10 million and \$5 million; and 16 cents if it is \$5 million or less.

Exemptions and Credits

(R.C. 5749.03)

An annual exemption applies to natural resources used on the land from which they are taken by the severer, as part of the improvement of or use in the severer's homestead. The exemption is limited to resources with a yearly cumulative market value of \$1,000 or less.

Special Provisions

The Chief of the Division of Mineral Resources Management certified on June 30, 2009 that the balance of the Reclamation Forfeiture Fund was less than \$5 million. As a result, the reclamation tax rate on coal mining operations without a full cost bond is 16 cents effective Jan. 1, 2010. The previous rate was 14 cents.

Although not a part of the severance tax, oil and gas well owners are subject to an oil and gas regulatory cost recovery assessment effective July 1, 2010. The assessment is based on a formula that takes into consideration the number of wells owned, the production of those wells, and the amount of severance tax paid. This assessment is reported on the severance tax return by either the owner or severer.

Filing and Payment Dates

(R.C. 5749.06)

Payments are due May 15, Aug. 14, Nov. 14, and Feb. 14 for the quarterly periods ending the last day of March, June, September, and December, respectively. Annual returns are due Feb. 14.

Disposition of Revenue

(R.C. 5749.02)

The Geological Mapping Fund receives:

- 4.76 percent of the 10 cent per ton base tax on coal;
- 15 percent of salt severance tax collections through Oct. 15, 2009 and all salt severance revenue thereafter.
- 7.5 percent of limestone, dolomite, sand, and gravel severance tax collections; and
- 10 percent of oil and gas severance tax collections.

The Unreclaimed Lands Fund receives:

- 14.29 percent of the 10 cents tax on coal;
- 42.5 percent of limestone, dolomite, sand, and gravel severance tax collections;
- 85 percent of salt severance tax collections through Oct. 15, 2009; and
- all of the 1.2 cent tax on coal mined using surface mining methods.

The Oil and Gas Well Fund receives 90 percent of the oil and gas severance tax collections.

¹ Mcf means 1,000 cubic feet.

The Coal Mining Administration Fund receives 80.95 percent of the 10 cents tax on coal. The Reclamation Forfeiture Fund receives all of the revenue from the tax on coal operations without a full cost bond, which may vary from 12 cents to 16 cents depending on the amount in the fund.

The Surface Mining Administrative Fund receives:

- 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
- all clay, sandstone, conglomerate, shale, gypsum, and quartzite severance tax collections.

Administration

The tax is administered by the Tax Commissioner, who also makes distribution to the various funds.

Ohio Revised Code Citations

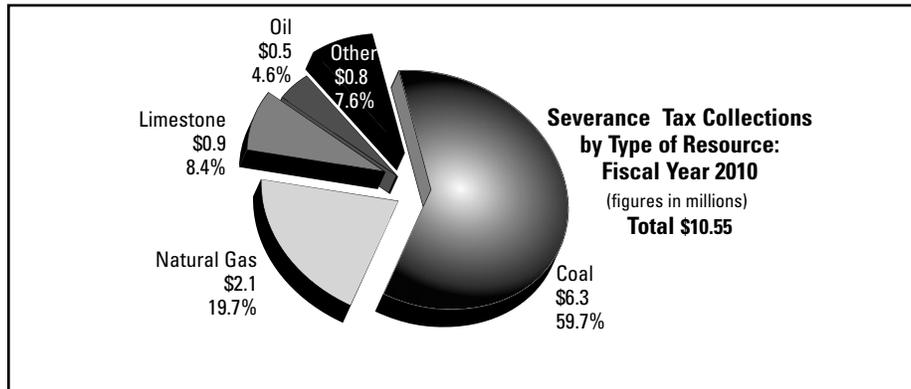
Chapter 5749.

Recent Legislation

House Bill 1, 128th General Assembly

Change to revenue distribution of salt severance tax – This bill amended R.C. 5749.02(B), effective Oct. 16, 2009, to begin crediting all revenues from the salt component of the severance tax to the Geological Mapping Fund. Previously, the fund had only received 15 percent of revenue from salt severance.

Chart



Table

Severance Tax Collections Fiscal Years 2006-2010						
Natural Resource	Tax Rate	2006	2007	2008	2009	2010
Coal	10 cents per ton	\$2,216,710	\$2,016,846	\$2,224,007	\$2,717,837	\$2,668,161
Coal - Reclamation Tax	0.14 cents per ton	-	-	2,159,954	3,435,718	3,488,169
Coal - Surface Mining	0.012 cents per ton	-	-	79,891	118,923	112,845
Natural Gas	2.5 per 1,000 cubic feet	2,023,276	1,945,713	1,973,148	2,069,704	2,067,986
Limestone	2 cents per ton	1,360,579	1,252,499	1,299,974	1,111,512	883,334
Oil	10 cents per barrel	530,817	505,876	528,280	499,297	487,165
Gravel	2 cents per ton	718,526	580,400	394,991	337,919	256,826
Sand	2 cents per ton	510,446	475,825	405,561	369,937	293,012
Dolomite	2cents per ton	41,539	11,840	19,443	41,464	9,006
Salt	4 cents per ton	200,422	167,562	211,046	245,660	233,521
Clay	1 cents per ton	23,230	14,847	21,982	12,890	11,501
Sandstone	1 cents per ton	23,542	16,631	17,669	14,321	8,928
Shale	1 cents per ton	25,379	27,292	24,693	33,895	27,752
Gypsum	1 cents per ton	-	-	-	-	-
Quartzite	1 cents per ton	2,364	3,343	2,152	2,155	2,116
Total		\$7,676,830	\$7,018,674	\$9,362,791	\$11,011,233	\$10,550,320

The background of the page features a large, light gray watermark of the Ohio state seal. The seal depicts a landscape with a sun rising over hills, a river, and a field of grain with a sheaf of wheat in the foreground. The word "Ohio" is superimposed on the seal, with the letter "O" being a large, hollow circle.

Ohio

Part III: Revenue Sharing



Local Government Fund

This chapter deals with two revenue-sharing funds that were merged into one during fiscal year 2008: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF).

The LGF dates back to the Jan. 1, 1935 birth of the state sales tax. The fund has undergone many changes in ensuing decades, but the basic elements remain: a designated portion of state revenues is deposited into the LGF, a statutory formula is used to allocate revenue monthly to the undivided LGFs of each of Ohio's 88 counties, and county budget commissions determine the distribution of the undivided fund moneys to local subdivisions.

In 1989, the General Assembly created the state Local Government Revenue Assistance Fund (LGRAF), providing local subdivisions with an additional share of state tax revenue, allocated to each of Ohio's 88 county undivided LGRAFs according to each county's share of the total state population. The LGRAF was eliminated as a separate fund by consolidation into the LGF effective Jan. 1, 2008 as part of a broader overhaul of revenue sharing in Ohio. Starting with the 2008 calendar year, the newly consolidated LGF receives a 3.68 percent share of all general revenue tax collections.

During the 2010 calendar year, approximately \$611.5 million was distributed to counties from the state LGF. This amount includes nearly \$598.0 million distributed to county undivided LGFs and \$13.5 million from the tax on dealers in intangibles. Additionally, nearly \$52.0 million in LGF monies was distributed directly to municipalities.

Revenue Sources

(Ohio Revised Code 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03)

Before January 2008, permanent law called for the state LGF to receive a 4.2 percent share of collections from four major taxes: the sales and use, individual income, corporation franchise, and public utility excise taxes. In addition, the law called for 2.646 percent of the kilowatt-hour tax to be deposited into the LGF. Permanent law also called for the state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

Between mid-2001 and mid-2007, the 124th, 125th and 126th general assemblies set aside the statutory revenue sharing formulas for both funds as part of a series of temporary "freezes." As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

In 2007, House Bill 119 – the main operating budget bill for fiscal year 2008-09 – extended the freeze through the end of

the 2007 calendar year, then set into motion a major restructuring of these funds. Starting in January 2008:

- the LGRAF was consolidated into the LGF.
- the new consolidated LGF was funded based on a 3.68 percent share of all general revenue tax collections, rather than the older system of percentages that varied based on the tax.

Distributions to Local Governments

(R.C. 5747.50, 5747.501)

From mid-2001 through mid-2007, a permanent statutory formula for calculating the amount of money to be distributed to local governments through the LGF was suspended as part of a series of local government fund "freezes."

- H.B. 119 extended the freeze through the end of 2007 and permanently revamped the statutory formula for calculating distributions. Starting with the 2008 calendar year:
- subject to available resources, each county's undivided LGF fund receives at least what it received in combined distributions from the LGF and LGRAF during the 2007 calendar year.
- subject to available resources, each of the more than 500 municipalities that received a direct distribution from the LGF in 2007 receives an equal amount in subsequent calendar years.

If revenue in the LGF is not sufficient to meet the minimums described above, then each county and municipality receives a prorated share of the state LGF, proportionate to that received in 2007.

If additional revenue is available once these distributions have been made, it is distributed to the 88 county undivided LGFs based on each county's proportionate share of the state population, using U.S. Census Bureau estimates from the previous year. No additional revenue is allocated directly to municipalities, which may not receive directly from the state LGF more than they received in 2007.

Monthly Distribution Procedure

(R.C. 5747.50)

Distributions from the state LGF to municipal corporations and counties are made on or before the tenth day of each month.

Use of Funds

(R.C. 5747.50 – 5747.53)

All amounts received by a municipal corporation directly from the state LGF are paid into the municipality's general fund to be used for any lawful purpose.

The amount that each county receives from the state LGF is expressly designated for deposit into the county's undivided LGF, where it is combined with the share of dealers in intangibles tax revenue that is collected by the state and returned to the county of origin.

Before January 2008 (when the state LGRAF was merged with the LGF), the amount that each county received from the state LGRAF was also expressly designated for deposit into the county's undivided LGRAF.

Revenue from county undivided LGFs (and, before January 2008, county undivided LGRAFs) are disbursed to local governments to be used for current operating expenses of the county government, municipalities, townships, and certain special districts. These distributions are either done according to statutory guidelines intended to distribute revenue in a manner that reflects local needs or according to alternative apportionment methods devised by local county budget commissions. Such alternative apportionment methods are authorized if approved by subdivisions within the county as required by statute.

Table 1

Calendar Year	Total State Local Government Fund		Dealers in Intangibles Tax		State LGF and Intangibles Tax Combined	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2000	\$692,233,886	4.13	\$13,901,032	29.95	\$706,134,918	4.54
2001	705,421,757	1.9	15,905,620	14.42	721,327,377	2.15
2002	670,658,730	-4.93	11,229,780	-29.4	681,888,510	-5.47
2003	661,828,265	-1.32	9,097,256	-18.99	670,925,521	-1.61
2004	661,828,265	0.00	10,448,586	14.85	672,276,851	0.20
2005	661,828,265	0.00	11,660,148	11.60	673,488,413	0.18
2006	661,828,265	0.00	13,908,699	19.28	675,736,964	0.33
2007	661,828,265	0.00	12,605,989	-9.37	674,434,254	-0.19
2008 ¹	745,649,267	12.67	11,852,573	-5.98	757,501,840	12.32
2009	641,403,389	-13.98	13,210,244	11.45	654,613,633	-13.58
2010	649,981,842	1.34	13,534,972	2.46	663,516,814	1.36

¹ 2008 displays the effects of H.B 119 and the combining of the Local Government and Local Government Revenue Assistance Funds.

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2010							
County	To Counties ¹	To Municipalities	Total	County	To Counties ¹	To Municipalities	Total
ADAMS	\$759,922	\$755	\$760,677	LUCAS	\$25,047,409	\$3,154,005	\$28,201,414
ALLEN	4,607,397	283,015	4,890,412	MADISON	1,444,540	69,398	1,513,938
ASHLAND	2,123,461	147,582	2,271,043	MAHONING	10,272,550	664,889	10,937,439
ASHTABULA	4,038,507	209,092	4,247,599	MARION	2,684,254	178,096	2,862,350
ATHENS	2,076,869	126,630	2,203,499	MEDINA	6,966,458	285,699	7,252,157
AUGLAIZE	2,308,516	157,149	2,465,665	MEIGS	651,105	8,969	660,074
BELMONT	2,848,778	21,031	2,869,809	MERCER	1,866,876	62,957	1,929,833
BROWN	1,125,942	14,758	1,140,700	MIAMI	5,153,152	379,127	5,532,279
BUTLER	14,505,528	1,000,619	15,506,147	MONROE	424,285	5,185	429,470
CARROLL	799,209	13,736	812,945	MONTGOMERY	31,968,989	3,560,084	35,529,073
CHAMPAIGN	1,447,563	77,430	1,524,993	MORGAN	418,624	8,385	427,009
CLARK	5,715,144	464,695	6,179,839	MORROW	767,512	18,703	786,215
CLERMONT	4,382,324	47,683	4,430,007	MUSKINGUM	3,090,337	194,156	3,284,493
CLINTON	1,617,698	55,424	1,673,122	NOBLE	380,114	0	380,114
COLUMBIANA ²	4,132,605	173,042	4,305,647	OTTAWA	1,671,877	56,591	1,728,468
COSHOCTON	1,445,718	51,998	1,497,716	PAULDING	675,980	1,742	677,722
CRAWFORD	2,105,855	122,507	2,228,362	PERRY	934,314	16,984	951,298
CUYAHOGA	111,812,246	11,672,693	123,484,939	PICKAWAY	1,865,472	75,782	1,941,254
DARKE	2,385,895	92,152	2,478,047	PIKE	778,846	15,488	794,334
DEFIANCE	1,832,703	100,885	1,933,588	PORTAGE	6,261,591	418,484	6,680,075
DELAWARE	4,962,619	191,269	5,153,888	PREBLE	1,517,898	63,980	1,581,878
ERIE	3,761,263	157,060	3,918,323	PUTNAM	1,454,909	53,442	1,508,351
FAIRFIELD	5,030,716	232,293	5,263,009	RICHLAND	6,138,578	495,720	6,634,298
FAYETTE	1,157,241	57,275	1,214,516	ROSS	2,868,644	147,733	3,016,377
FRANKLIN	75,892,967	9,220,523	85,113,490	SANDUSKY	2,873,771	158,549	3,032,320
FULTON	1,978,181	141,444	2,119,625	SCIOTO	2,560,216	103,532	2,663,748
GALLIA	1,030,624	25,766	1,056,390	SENECA	2,737,058	194,155	2,931,213
GEAUGA	2,739,968	97,744	2,837,712	SHELBY	2,409,922	203,222	2,613,144
GREENE	8,209,178	244,646	8,453,824	STARK	15,920,715	1,171,048	17,091,763
GUERNSEY	1,504,240	54,656	1,558,896	SUMMIT	34,909,373	3,120,168	38,029,541
HAMILTON	53,175,608	6,053,671	59,229,279	TRUMBULL	9,127,264	477,353	9,604,617
HANCOCK	3,946,152	219,018	4,165,170	TUSCARAWAS	4,342,716	185,244	4,527,960
HARDIN	1,218,217	55,800	1,274,017	UNION	1,543,140	71,394	1,614,534
HARRISON	562,256	13,040	575,296	VAN WERT	1,318,498	79,718	1,398,216
HENRY	1,246,192	52,766	1,298,958	VINTON	337,305	0	337,305
HIGHLAND	1,384,371	62,650	1,447,021	WARREN	7,038,372	383,450	7,421,822
HOCKING	874,545	35,728	910,273	WASHINGTON	2,367,144	121,885	2,489,029
HOLMES	958,065	12,768	970,833	WAYNE	4,951,895	241,412	5,193,307
HURON	2,708,174	226,864	2,935,038	WILLIAMS	1,933,513	134,319	2,067,832
JACKSON	1,155,417	0	1,155,417	WOOD	5,702,035	433,551	6,135,586
JEFFERSON	3,890,880	188,600	4,079,480	WYANDOT	1,041,880	52,428	1,094,308
KNOX	2,002,680	111,943	2,114,623				
LAKE	17,085,219	1,178,876	18,264,095	TOTAL	\$611,518,269	\$51,998,545	\$663,516,814
LAWRENCE	1,899,883	35,415	1,935,298				
LICKING	6,602,194	321,395	6,923,589				
LOGAN	1,811,428	105,667	1,917,095				
LORAIN	16,238,984	1,001,765	17,240,749				

1 Includes dealers in intangibles tax distributions for counties.

2 Includes \$2,056,375 redirected to the county's fiscal agent.



Public Library Fund

The Public Library Fund, formerly known as the Library and Local Government Support Fund, was created by the General Assembly in 1985 as part of a broader effort to phase out the intangible personal property tax. The fund was designed to offset the loss of revenue from the intangibles tax, then a key source of revenue for local libraries, by directing a share of state income tax collections to a fund established in each county. In turn, county officials distribute the revenue from that county fund to libraries and local governments.

The name of the state fund was changed from the Library and Local Government Support Fund to the Public Library Fund effective June 20, 2008 by Senate Bill 185.

Since 1993, permanent law had called for the fund to receive a fixed 5.7 percent of income tax collections, distributed to counties according to a formula outlined in the Ohio Revised Code. But these provisions were set aside by the 124th, 125th and 126th general assemblies as part of a series of temporary local government fund "freezes." Accordingly, from mid-2001 through mid-2007, Public Library Fund revenue was distributed to counties based largely on the amount received during the previous year.

The fund was reorganized as part of House Bill 119, enacted in June 2007 by the 127th General Assembly. Starting in January 2008, the Public Library Fund began receiving a fixed 2.22 percent of all General Revenue Fund (GRF) tax collections. Distributions from the fund to counties returned to the old formula outlined in R.C. 5747.46.

In 2009, the 128th General Assembly enacted House Bill 1, temporarily reducing the fixed percentage of GRF tax collections that are to be deposited into the fund. From Aug. 1, 2009 through June 30, 2011, this percentage will be 1.97 percent.

During the 2010 calendar year, counties received about \$348.0 million from the Public Library Fund.

Revenue Source

(Ohio Revised Code 131.44, 5747.03)

In January 2008, following a series of fund "freezes," the Public Library Fund began receiving a fixed 2.22 percent of all General Revenue Fund tax collections each month. Half of this monthly amount is credited against the sales and use tax and half against the kilowatt-hour tax.

House Bill 1 of the 128th General Assembly temporarily reduced the fixed percentage of GRF tax collections that are to be deposited into the fund. This percentage was reduced to 1.97 percent for the period of Aug. 1, 2009-June 30, 2011.

Distributions to Counties

(R.C. 5747.46)

The statutory Public Library Fund distribution formula consists of two parts: the guaranteed share and the share of the excess.

Guaranteed share – The guaranteed share is equal to the previous year's fund total plus an inflation factor. This portion of the fund is distributed to counties based on each county's share of the previous year's fund total.

Share of the excess – When there is an amount in the Public Library Fund in excess of the sum of guaranteed shares for all counties, it is distributed among counties based on their equalization ratios. The equalization ratio (which is more fully described in R.C. 5747.46) is based on the county's most recent percentage of the state's population and the county's percentage share of the previous year's total distribution. Each county's equalization ratio is multiplied by the total amount of the excess to determine each county's share of the excess. The ratio allows those counties that have had the lowest per capita Public Library Fund distributions in prior years to see the greatest per capita growth in funding, while assuring that all counties have relative growth.

Monthly Distribution Procedure

(R.C. 5747.47, 5747.48)

The Department of Taxation determines the total amount available and the allocation to be made to each county's Public Library Fund. The distribution of revenue from each county's Public Library Fund is made by the county treasurer to the county boards, public library trustees, municipal corporations, and the boards of townships and park commissioners on or before the 15th day of each month.

Estimation of Entitlements

(R.C. 5747.47)

Permanent law calls for the Department of Taxation to certify, on three separate occasions, an estimate of the amount of revenue to which each county will be entitled from the state Public Library Fund. The first estimate is completed by July 20th of the year preceding distribution. The second estimate is certified in December of the year preceding distribution. The third is certified during June of the distribution year.

The formula for calculating entitlements is dynamic and the exact amount to which a county is entitled cannot be known for certain until the end of each distribution year, when the total amount of revenue into the fund is known. Accordingly, each December, the department certifies the actual amount each county was entitled to receive under the distribution formula during the current calendar year, the amount

each county actually received, and the difference between the two. During the first six months of the following year, each county's distribution is adjusted for any overpayment or underpayment received in the preceding year.

Use of Funds Distributed

(R.C. 3375.05, 3375.121, 3375.40, 3375.403, 3375.82, 3375.85, 5705.32)

County budget commissions (composed of a county commissioner, the county auditor, and the county treasurer) determine the amounts to be allocated to all libraries. The amount is given to each library based on its needs for building construction and improvement, operations, maintenance, and other expenses required by the library and its branches. By law, libraries collectively may never receive a smaller share of county Public Library Fund distributions than the average percentage of the county's intangible property taxes that were distributed to all libraries in 1982, 1983, and 1984.

After fixing the amount to be distributed to libraries within the county, the county budget commission fixes an amount to distribute to municipal corporations in the county. By law, each municipal corporation receives a percentage of the remainder equal to the percentage share of all classified, or intangible, property taxes originating from that municipality in 1984.

Generally speaking, the vast majority of revenue distributed from the Public Library Fund is provided to libraries, with the remainder provided to other local governments in a few counties.

Recent Legislation

House Bill 1, 128th General Assembly (Fiscal Year 2010-2011 biennial budget bill; budget provisions effective July 17, 2009; other provisions effective on Oct. 17, 2009 or on other dates)

Reduction of revenue percentage – The bill temporarily reduced the percentage of all GRF revenues credited to the fund from 2.22 percent to 1.97 percent for the period of Aug. 1, 2009-June 30, 2011.

Information network transfer – The bill provides for a transfer of \$3,702,150 from the Public Library Fund to the Ohio Public Library Information Network (OPLIN) for FY 2010 and FY 2011.

Fund for the blind transfer – The bill provides for a transfer of \$1,274,194 from the Public Library Fund to the Library for the Blind Fund for FY 2010 and FY 2011.

Transfer from GRF – The bill provides that a transfer of \$5 million will be made from the GRF to the Public Library Fund on July 1 of both FY 2010 and FY 2011, or as soon as possible thereafter.

Table 1

Library & Local Government Support Fund/Public Library Fund Total Amounts Distributed to Counties: Calendar Years 1987 - 2010				
Calendar Year	Guaranteed Share	Equalization Share	Total Distribution	Percent Change in Total Distribution
1987	\$181,080,868	\$26,292,922	\$207,373,790	16.4%
1988	215,253,994	3,009,660	218,263,654	5.3
1989	226,775,936	24,554,945	251,330,881	15.2
1990	262,655,557	–	262,655,557	4.5
1991	268,793,142	–	268,793,142	2.3
1992 ¹	268,793,142	–	268,793,142	0.0
1993 ²	276,856,936	7,843,064	284,700,000	5.9
1994	293,810,400	3,172,181	296,982,901	4.3
1995	303,813,180	15,019,721	318,832,901	7.4
1996	329,035,554	13,564,940	342,600,494	7.5
1997	352,535,908	23,461,438	375,997,346	9.7
1998	384,269,286	40,394,095	424,663,381	12.9
1999	431,882,659	23,881,967	455,764,626	7.3
2000	465,355,682	25,664,582	491,000,264	7.7
2001 ³	–	–	496,458,342	1.1
2002 ⁴	–	–	457,671,290	-7.8
2003 ⁵	–	–	452,648,009	-1.1
2004 ⁶	–	–	455,470,323	0.6
2005 ⁷	–	–	457,970,324	0.5
2006 ⁷	–	–	457,970,324	–
2007 ⁷	–	–	457,970,324	–
2008 ⁸	450,578,991	–	450,578,991	-1.67
2009 ⁹	370,367,615	–	370,367,615	-17.8
2010	347,952,236	–	347,952,236	-6.1

1 Distributions during calendar year 1992 were capped at the 1991 dollar level.

2 Total calendar year 1993 distributions were guaranteed to equal at least \$284.7 million.

3 Beginning in July 2001, distributions were “frozen” at the amount received during July 2000 – December 2000. Figure shown is after transfers to OPLIN Technology Fund.

4 Distributions during calendar year 2002 were “frozen” based upon the amounts distributed during July 2000 – June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund and after March 2002 and July 2002 reconciliation adjustments pursuant to H.B. 405.

5 Distributions during calendar year 2003 were “frozen” based upon the amounts distributed during July 2000 – June 2001. Figure shown is after monthly transfers to OPLIN Technology Fund, the July 2003 reconciliation adjustments pursuant to H.B. 405, and the \$9.7 million reduction in July 2003 as required by H.B. 40.

6 Distributions during calendar year 2004 were “frozen” based on the amounts distributed during calendar year 2003. Figure shown is after transfers to OPLIN Technology Fund.

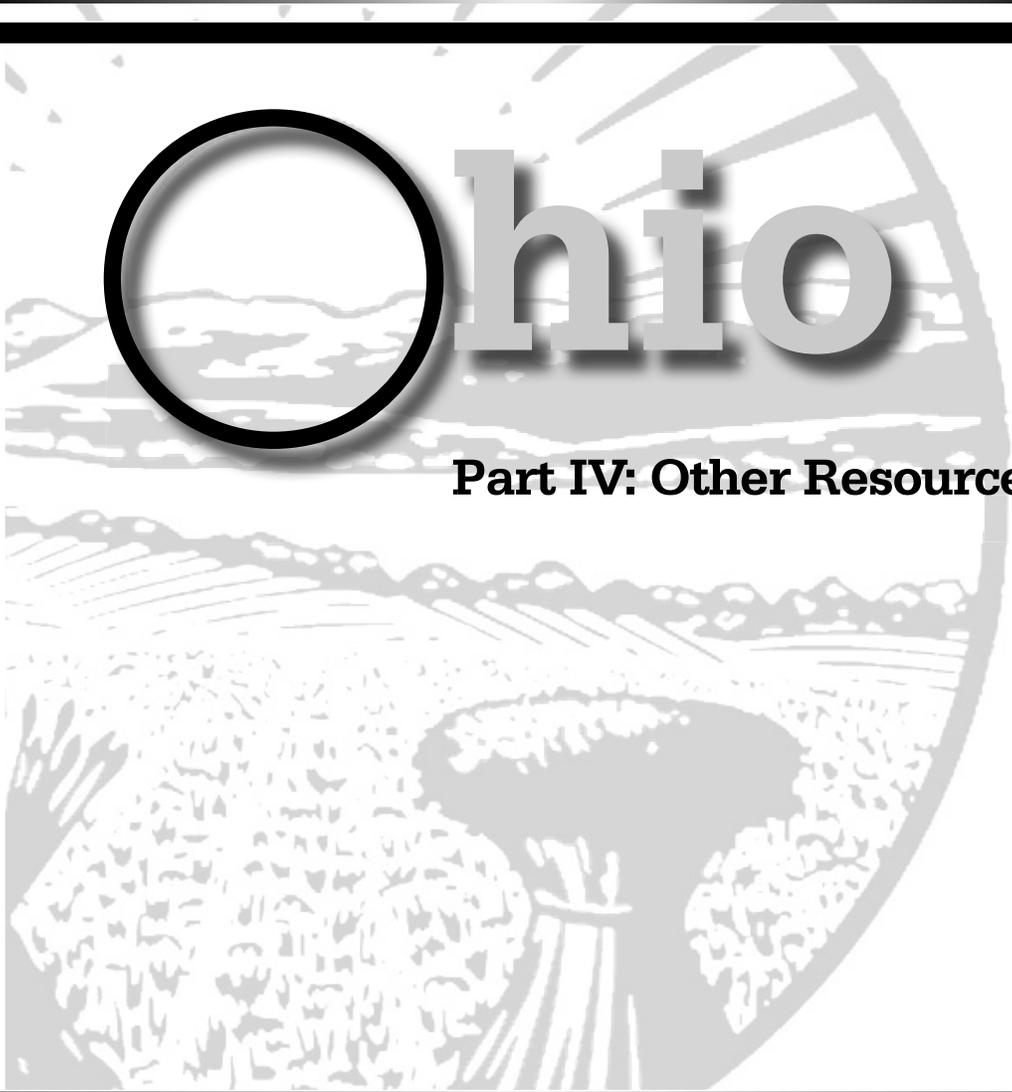
7 Distributions during calendar years 2005 – 2007 were frozen based on amounts distributed during calendar year 2004. Transfers to OPLIN no longer are applied.

8 Distributions during calendar year 2008 and subsequent years returned to the statutory pre-“freeze” methodology.

9 Amount of GRF tax revenue deposited into fund is reduced from 2.22 percent to 1.97 percent from Aug. 1, 2009 - June 30, 2011.

Table 2

Public Library Fund: Calendar Year 2010					
County	Amount	County	Amount	County	Amount
ADAMS	\$757,844	HAMILTON	\$36,702,540	NOBLE	\$349,405
ALLEN	3,193,789	HANCOCK	2,273,787	OTTAWA	1,190,160
ASHLAND	1,467,475	HARDIN	881,593	PAULDING	571,746
ASHTABULA	2,871,366	HARRISON	521,962	PERRY	924,453
ATHENS	1,678,299	HENRY	825,537	PICKAWAY	1,409,117
AUGLAIZE	1,348,073	HIGHLAND	1,073,532	PIKE	735,947
BELMONT	2,054,001	HOCKING	762,113	PORTAGE	4,168,732
BROWN	1,062,939	HOLMES	982,289	PREBLE	1,163,037
BUTLER	8,785,747	HURON	1,673,495	PUTNAM	970,621
CARROLL	787,625	JACKSON	908,427	RICHLAND	3,819,761
CHAMPAIGN	1,029,523	JEFFERSON	2,247,017	ROSS	2,035,151
CLARK	4,181,229	KNOX	1,438,830	SANDUSKY	1,784,738
CLERMONT	4,551,707	LAKE	6,653,201	SCIOTO	2,279,464
CLINTON	1,104,726	LAWRENCE	1,776,202	SENECA	1,755,239
COLUMBIANA	3,135,036	LICKING	3,814,731	SHELBY	1,353,339
COSHOCTON	1,050,441	LOGAN	1,242,356	STARK	11,343,213
CRAWFORD	1,388,873	LORAIN	7,844,717	SUMMIT	16,308,841
CUYAHOGA	49,565,105	LUCAS	14,176,662	TRUMBULL	6,590,668
DARKE	1,542,027	MADISON	1,100,400	TUSCARAWAS	2,475,751
DEFIANCE	1,131,648	MAHONING	7,718,782	UNION	1,021,268
DELAWARE	2,274,889	MARION	1,858,632	VAN WERT	868,089
ERIE	2,411,199	MEDINA	3,779,204	VINTON	329,722
FAIRFIELD	3,247,642	MEIGS	664,052	WARREN	3,636,023
FAYETTE	797,721	MERCER	1,159,938	WASHINGTON	1,800,351
FRANKLIN	31,507,278	MIAMI	2,847,559	WAYNE	3,200,609
FULTON	1,172,907	MONROE	431,727	WILLIAMS	1,114,396
GALLIA	901,253	MONTGOMERY	18,199,237	WOOD	3,768,188
GEAUGA	2,944,624	MORGAN	402,275	WYANDOT	648,411
GREENE	4,083,354	MORROW	826,154		
GUERNSEY	1,128,756	MUSKINGUM	2,391,747	TOTAL	\$347,952,236



Ohio

Part IV: Other Resources



Business Tax Credits

A number of Ohio's business tax credits can be claimed against more than one type of tax. Rather than continue to list the same business tax credits in multiple chapters of this annual report, we have chosen to consolidate information about them here.

The tax credits available to Ohio businesses underwent significant reorganization with the 2005 enactment of House Bill 66, which phased out the corporation franchise tax for the vast majority of corporations after the 2009 report year.

For taxpayers subject to the corporation franchise tax phase-out and the phase-in of the commercial activity tax (CAT), the 2008 franchise tax reports (based on 2007 business activity) were the last on which the following credits could be applied:

- Job creation credit
- Job retention credit
- Research expense credit
- Research and development loan payment credit

After Jan. 1, 2008, these credits were automatically converted to credits against the CAT. However, these credits continue to apply against the franchise tax for taxpayers such as financial institutions, which are not subject to the CAT and remain subject to the franchise tax. In addition, a CAT credit for unused franchise tax net operating loss deductions was made available to qualifying corporations starting with the 2010 calendar year.

Other corporation franchise tax credits were neither repealed nor transitioned to the CAT. These will be claimed infrequently (if at all) in the future because the franchise tax is now limited to a relatively small number of corporations, primarily financial institutions. However, there are exceptions. For example, the refundable historic building preservation and motion picture tax credits may still be claimed against the corporation franchise tax by corporations that are no longer subject to the franchise tax. In such situations, the franchise tax becomes, in effect, a vehicle for delivering the incentive.

Credits

Alternative fuel credit (Ohio Revised Code 5733.48, 5747.77)

This nonrefundable credit was originally scheduled to expire after the 2009 taxable year, but was extended for two years by Senate Bill 131 (see **Recent Legislation**, below). Retail service station owners may claim a 15 cent per gallon credit against individual income tax liability for most alternative fuels sold during the 2010 and 2011 taxable years. For blends with less than 20 percent biodiesel, smaller credits apply: 7½ cents per gallon for blends of between 10 percent

and 20 percent biodiesel and 3¼ cents per gallon for blends of between 6 percent and 10 percent biodiesel. There is no carryforward of the credit into future years.

A similar credit was once also permitted against the corporation franchise tax, but that version of the credit was not extended beyond 2009.

Taxes: Corporation franchise (before the 2010 taxable year) or individual income tax (through the 2011 taxable year).

Enterprise zone day care and training credits (R.C. 5709.65(A))

Taxpayers that locate in an enterprise zone and who are awarded the appropriate tax incentive certificate by the Ohio Department of Development may claim a nonrefundable credit equal to:

- the amount reimbursed to specified employees for the cost of day care services up to a maximum of \$300 per child; and
 - the amount reimbursed to specified employees for training costs up to a maximum of \$1,000 per employee.
- Taxes:** Corporation franchise or individual income.

Enterprise zone eligible new employees (R.C. 5709.66(B))

Taxpayers that locate in an enterprise zone and who are issued the appropriate tax incentive certificate for an eligible employee may claim a \$1,000 nonrefundable credit for each taxable year covered by the enterprise zone agreement during which the eligible employee is employed by the taxpayer. An "eligible employee" is a new employee at the facility to which the enterprise zone agreement applies, who at the time hired was a recipient of aid through the Ohio Works First program (Temporary Assistance to Needy Families) or general assistance and who resided for at least one year in the county in which the facility is located.

Taxes: Corporation franchise or individual income.

Ethanol investment credit (R.C. 901.13, 5733.46 and 5747.75)

This nonrefundable credit equals 50 percent of the taxpayer's investment in an ethanol plant certified by the Ethanol Incentive Board in the calendar year preceding the report year. The credit is limited to \$5,000 per taxpayer per plant. The credit was first available for taxable year 2002.

Taxes: Corporation franchise or individual income.

Grape production property credit (R.C. 5733.32, 5747.28)

This nonrefundable credit equals 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

Taxes: Corporation franchise or individual income.

Historic building preservation credit (R.C. 149.311, 5725.151, R.C. 5747.76)

This refundable credit is based on the expenses incurred by owners of a historic building to rehabilitate such a building. The credit, if approved by the Ohio Department of Development, equals 25 percent of the owner's "qualified rehabilitation expenditures" paid or incurred during the 24 or 60-month rehabilitation period.

Taxes: Corporation franchise, dealers in intangibles or individual income.

Job creation credit (R.C. 122.17, 5733.0610, 5747.058, 5751.50)

This credit saw significant changes effective Oct. 16, 2009 as a result of House Bill 1; for more information see **Recent Legislation**, below. As revised, the Ohio Tax Credit Authority may award taxpayers a refundable credit for new jobs created according to an agreement per R.C. 122.17. The credit equals a designated percentage of the additional Ohio income tax withheld from a site over a baseline amount intended to represent the amount of withholding taking place before the job creation agreement. The exact percentage of the credit is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to 15 years.

Taxes: Commercial activity (starting in 2008), corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year) individual income or insurance taxes.

Job retention credit (R.C. 122.171, 5733.0610(B), 5747.058(B), 5751.50)

This credit saw significant changes effective Oct. 16, 2009 as a result of House Bill 1; for more information see **Recent Legislation**, below. As revised, the Ohio Tax Credit Authority may award this nonrefundable credit to businesses that invest at least \$50 million in fixed-assets for manufacturing operations or at least \$20 million in fixed-assets for significant corporate administrative functions. In exchange for the credit, employers must commit to retain at least the equivalent of 500 full-time employees at the site for at least seven years or the term of the credit plus three years, whichever is greater. The size of the credit, determined by agreement with the Ohio Tax Credit Authority, equals up to 75 percent of the Ohio individual income tax withheld from the wages or salary paid to employees retained at the site. The credit is normally limited to a term of ten years, but may be granted for up to 15 years in cases where the total amount of annual payroll to be retained is at least \$40 million.

Taxes: Commercial activity (beginning in 2008), corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year), individual income (before 2008) or insurance taxes (for job retention agreements reached after Oct. 16, 2009).

Job Training Credit (R.C. 5733.42)

This nonrefundable credit applied to taxpayers that incurred "eligible training costs" and received a tax credit certificate from the Ohio Director of Job and Family Services

with respect to an "eligible training program" for "eligible employees." The \$20 million per year program was discontinued at the end of 2007; carry forwards will expire after the 2010 taxable year (documented on 2011 returns or reports).

Taxes: Corporation franchise, dealers in intangibles, individual income or insurance taxes.

Lottery Commission Withholding Credit (R.C. 5747.062(B))

This refundable credit equals the amount the Ohio Lottery Commission withheld from payments to the taxpayer.

Taxes: Corporation franchise or individual income.

Manufacturing machinery and equipment investment grant (R.C. 122.172, 122.173, 5733.33, 5747.31)

These nonrefundable grants (previously credits) applied to purchases of new manufacturing machinery and equipment made on or before June 30, 2005. The grants equaled either 7.5 percent of the amount by which the cost of qualifying equipment exceeded the taxpayer's "base investment" for a particular county or 13.5 percent for investments made in certain "priority investment areas" with high unemployment or poverty. One-seventh of this grant could be claimed in each of the seven tax years following the purchase year. Also, manufacturers were permitted to carry forward any unused credit for up to 3 years.

For taxpayers subject to the franchise tax phase-out, the grant ended with the final (2009) franchise tax report. For individual income tax filers, the incentive can be taken against the state income tax until the term of the incentive is completed. Including carry forwards, this could be as late as 2015.

Taxes: Corporation franchise (ended with the 2009 report year) or individual income.

Motion picture production credit (R.C. 122.85, 5733.59, 5747.66)

This refundable credit, created in 2009 by House Bill 1, can be claimed against individual income or corporation franchise tax liability based on awards from the Department of Development for motion picture production work performed in Ohio. Productions with budgets that exceed \$300,000 may qualify for the credits, which are based on 35 percent of payroll expenditures for Ohio resident cast and crew and 25 percent of other eligible production expenses. The value of each credit may not exceed \$5 million per production, and the total credits to be issued are capped at \$10 million for fiscal year 2010 and \$20 million for fiscal year 2011. Corporations may claim this credit against the corporation franchise tax even if they are no longer subject to the franchise tax.

Taxes: Corporation franchise or individual income.

New markets tax credit (R.C. 5725.33, 5733.58)

This credit, created in 2009 by H.B. 1, is a nonrefundable tax credit with a four-year carry forward for financial institutions and insurance companies that invest in "Community Development Entities," as defined by the federal New Markets Tax Credit program. To qualify, a taxpayer must first qualify for the federal credit program by holding an equity investment in a qualified Community Development Entity. The Ohio

Department of Development may annually issue a maximum of \$10 million worth of credits.

Taxes: Corporation franchise or insurance taxes.

Research expense credit (R.C. 5733.351, 5751.51)

This nonrefundable credit equals 7 percent of the amount by which the taxpayer's "qualified research expenses" (as defined in Internal Revenue Code section 41) in Ohio during the taxable year exceed the taxpayer's average annual qualified research expenses in Ohio for the three preceding years.

Taxes: Commercial activity (starting in 2008) or corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year).

Research and development loan payments credit (R.C. 5733.352, 5751.52)

The amount of this nonrefundable credit equals the borrower's qualified research and development loan payments during the calendar year that immediately precedes the report year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development.

Taxes: Commercial activity (starting in 2008), corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year), or individual income (before the 2008 taxable year).

Technology investment credit (R.C. 122.15–122.154, 5733.35, 5747.33)

Investors that provide capital to certain qualifying small, Ohio-based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25 percent of the taxpayer's at-risk investment. The credit must be approved by the state Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to all taxpayers cannot exceed \$45 million.

Taxes: Corporation franchise and individual income.

Unused net operating losses credit (R.C. 5751.53)

Beginning in calendar year 2010, qualifying taxpayers may claim a nonrefundable tax credit equal to 8 percent of the taxpayer's franchise tax net operating loss carry forwards and other deferred tax items against the commercial activity tax. This credit is limited to taxpayers that elected to claim the credit by filing with the Tax Commissioner before July 1, 2006.

Tax: Commercial activity.

Venture capital credit (5707.031, 5725.19, 5727.241, 5729.08, 5733.49, 5747.80)

The Ohio Venture Capital Authority has the authority to issue refundable tax credits to its creditors. The credits are redeemable in the event of losses on loans to the authority.

Taxes: Corporation franchise, dealers in intangibles, individual income, insurance taxes and public utility excise tax.

Recent Legislation

House Bill 1, 128th General Assembly (FY 2010-2011 biennium budget bill; budget provisions were effective July 17, 2009, other provisions were effective Oct. 16, 2009 or on other dates)

H.B. 1 included the following changes:

Job creation credit –The act amended R.C. 122.17 to change the formula for computing this credit. For agreements entered into on or after the Oct. 16, 2009 effective date of the amendment, the credit is computed as a percentage of the growth in income tax withholding at the project site over the baseline withholding for that year. Specifically:

- The credit is to be computed as a percentage (as identified in the agreement between the taxpayer and the tax credit authority) of the amount by which income tax withheld from employees at the project site during the taxable year exceeds the taxpayer's baseline withholding at the project site for that taxable year.
- Withholding includes the sum of Ohio income tax withheld from all employees at the project site during the taxable year regardless of whether the employee is a "new" employee and regardless of whether the employee is a full-time employee.

Job retention credit –The act amended R.C. 122.171 to revise the calculation of this credit. For job retention credit agreements entered into on or after the new law's Oct. 16, 2009 effective date, the credit is computed as a percentage of the sum of Ohio income tax withheld from all employees at the project site whose hours of compensation are included in calculating the number of "full-time equivalent employees" regardless of whether the employee is full-time or part-time. Under prior law the credit was computed only with respect to Ohio income tax withheld from full-time employees at the project site.

In addition, H.B. 1:

- Allows insurance companies to claim the credit against the premiums tax.
- Limits the aggregate value of job retention credits that the authority can issue during any calendar year.
- Reduced the minimum employee and minimum investment thresholds and other requirements for project eligibility.

Historic building preservation credit –The act amended R.C. 5733.47 and 5747.76 to specifically provide that if a pass-through entity is awarded a historic preservation tax credit certificate by the Ohio Department of Development for that entity's "qualified rehabilitation expenditures," the entity can allocate the credit among its equity owners in proportion to their ownership interests or in such proportions or amounts as the equity owners mutually agree. The new law applies to

credits claimed based on certificates issued in taxable years ending on or after Oct. 16, 2009. (See section 803.20 of the bill.)

Motion picture production credit –The act created the motion picture production credit by creating R. C. 122.85, 5733.59 and 5747.66 and enacting sections 701.90 and 812.20 of the bill.

Technology investment tax credit –The act amended R.C. 122.151 to increase the aggregate value of technology investment credits that may be issued from \$30 million to \$45 million.

New markets tax credit –The act created the new markets tax credit by enacting R.C. 5725.33 and 5733.58. This new credit is similar to the federal new markets credit. However, the Ohio new markets credit is available only to financial institutions and insurance companies.

Senate Bill 131, 128th General Assembly, effective May 31, 2010

Alternative fuel credit –The bill amended R.C. 5747.77 to permit, against the individual income tax, a nonrefundable credit of 15 cents per gallon for most alternative fuels sold during the 2010 and 2011 taxable years. Previously, the credit was scheduled to expire after the 2009 taxable year. The bill also expanded the definition of “blended biodiesel” to include fuels with as little as 6 percent biodiesel. Previously “blended biodiesel” needed to contain at least 20 percent biodiesel. The bill also made credits of lesser value available for biodiesel blends of between 6 percent and 20 percent.



Glossary of Terms

*The administration of taxes includes a specialized vocabulary not entirely familiar to the average taxpayer. The terms included here represent a selected, core group of tax-related terms common across many taxes. In cases where a definition contains a term that is also defined in this glossary, that term is highlighted in **bold**.*

Allocation – For purposes of this report, allocation describes a process in computing corporation franchise tax **liability** where a taxpayer's nonbusiness income (such as interest and capital gains) is distributed between Ohio and other states. What is allocated to Ohio is then subject to Ohio tax.

Adjusted gross income – Adjusted gross income is an amount used in the calculation of an individual's income tax **liability**. It refers to an amount of income after certain adjustments are made, but before any reduction for the standardized and itemized **deduction**(s) or personal **exemption** is made.

Apportionment – For purposes of the corporation franchise tax, apportionment describes a process where a taxpayer's business income is distributed between Ohio and other states. What is apportioned to Ohio is then subject to tax. An apportionment process also occurs in public utility property tax to distribute the taxable value of utility company property to various locations; the method of apportionment varies according to the type of utility.

Assessed value – In the taxation of real property, this term refers to the taxable value of land and improvements (meaning: buildings). In Ohio, the assessed value of real property is set at 35 percent of true market value, with some exceptions that include certain lands used for agriculture or forestry. "Assessed value" is a term also used in personal property taxation to describe the taxable value of personal property and inventories.

Credit – A credit is an amount subtracted from the amount of tax owed (the **liability**). Examples include the credit permitted against Ohio individual income tax liability for child care expenses or the credit permitted against commercial activity tax liability for research and development loan payments.

Deduction – In income taxation, a deduction is an amount subtracted from **adjusted gross income** when calculating taxable income. Examples of deductions include those permit-

ted, for federal income tax purposes, for charitable gifts or certain types of interest payments.

Exemption – In income taxation, an exemption is an amount excluded from taxable income. For example, the Ohio individual income tax includes a personal exemption for any taxpayer who cannot be claimed as a dependent by another taxpayer.

Gross receipts – For purposes of the commercial activity tax and the resort area gross receipts tax, gross receipts refers to the total amount realized – without deduction for the cost of goods sold or other expenses incurred – from activities that contribute to the production of gross income, such as sales, performance of services, and rentals or leases. The public utility excise tax is also measured by gross receipts for business done from operations as a public utility.

Liability – Liability refers to the amount of a specific tax that a taxpayer owes; this amount can be reduced by credits.

Lien – A lien is a claim on a piece of property. For example, when a financial institution loans money for purchase of a home, that mortgage loan is a lien. Taxing authorities can establish, or place, a lien on the property of a delinquent taxpayer. If the mortgage or loan or tax owed is not paid, the property can be sold to satisfy the lien.

Mcf – This term is an abbreviation for 1,000 cubic feet, a common unit used to measure natural gas. Ohio's natural gas distribution tax is sometimes informally referred to as the "Mcf tax."

Mill – A mill can be thought of as a measurement equal to one-tenth of 1 percent. This term is often used to express the rate of taxation imposed on real or personal property. For example, a 2.5 mill tax levy imposed on a home with an **assessed value** of \$100,000 amounts to \$250 in tax.

Net income – This term refers to the total earnings or "bottom line" of a business. It is generally calculated by deducting from total sales the costs of doing business, such as depreciation, interest, taxes and certain other expenditures.

Net worth – Net worth refers to the value of a business when its liabilities (including debt, taxes and certain other obligations) are subtracted from the value of its assets.

Nexus – This term is used to describe whether a business has sufficient presence or activity in a state or other taxing jurisdiction to become subject to the tax(es) of the state or jurisdiction.

Nonrefundable (tax credit) – A nonrefundable tax **credit** is a credit against a specific tax that may only be claimed to the extent that that taxpayer has otherwise incurred tax **liability**. When such a credit would reduce liability to less than zero, the taxpayer is not eligible for a refund beyond the point at which liability is extinguished. In Ohio, most tax credits are nonrefundable.

Permissive tax – This term refers to a tax that a local political jurisdiction is “permitted” by law to enact. This term is frequently used to distinguish the local “piggyback” sales and use taxes enacted at the discretion of county governments or regional transit authorities from the state sales tax.

Refundable (tax credit) – A refundable tax **credit** is a credit against a specific tax that entitles the taxpayer to a refund, even in the absence of tax **liability**. This means that when a value of a credit fully eliminates tax liability, the state of Ohio is still obligated to issue a payment to the taxpayer for the value of the credit that remains after liability has been extinguished.

Situs – This term refers to the place where property is physically located, or where a taxable transaction occurs.

Sourcing – In sales taxation, this term refers to the physical location where a sale occurs or where a sale is designated as having occurred. “Origin sourcing” refers to sourcing sales at the physical location of the retailer. When sales are sourced based on where the customer takes possession of a product or service – such as through a delivery – this is referred to as “destination sourcing.”

Streamlined Sales Tax Project – This is a multi-state initiative to make sales tax laws, rules, and systems more uniform across states and thus easier for vendors to collect states’ sales taxes. The goal of the project is to encourage out-of-state vendors – primarily catalog and Internet retailers – to register with the project and collect the sales tax of participating states.

Taxing district – A taxing district is a jurisdiction that by law can impose a **tax levy** for property, sales, or municipal or school district income taxes in a specified geographic area. These jurisdictions may overlap. They include counties, transit authorities, municipalities, special districts such as fire or park districts, and school districts.

Tax levy – A tax levy is an act that imposes or alters a tax. A levy may be enacted at either the state level (such as on income or sales), or at the local level, such as on income, sales, or property. Local tax levies frequently require a vote of the people, are normally for a specific purpose, and are usually for a permanent or specified time period.

Tax year – A tax year is an annual accounting period for tax purposes that consists of 12 consecutive months. This may be either a fiscal year (meaning, 12 consecutive months ending on the last day of any month except December) or a calendar year (beginning Jan. 1 and ending Dec. 31). Businesses normally file taxes on a fiscal tax year basis, which may be any consecutive 12-month period. The tax year for property taxes, as well as individual income taxes for most taxpayers, is the calendar year.



Rule Review

Section 121.24(D) of the Ohio Revised Code requires the Department of Taxation to create a plan for periodic review of its administrative rules at least once every five years. The department's rule review schedule is as follows:

Calendar Year	Rules
2009	Franchise, income, and municipal taxes
2010	Estate tax and commercial activity tax
2011	Sales and use tax
2012	Tangible personal property tax
2013	Administration, equalization and excise taxes
2014	Franchise, income and municipal taxes

Section 121.24(E) of the Ohio Revised Code requires the Department of Taxation to designate an individual or office that is responsible for providing information on its administrative rules. The Office of Chief Counsel is the department's designated office. Rules are reviewed to determine if they are still necessary, are to be amended, or are to be rescinded in Ohio Administrative Code Chapter 5703.

The following is a summary of the department's review of its commercial activity tax and estate tax rules in 2010. All rules were determined to be necessary.

Commercial Activity Tax Rules:

Rule No.	Title
5703-29-02	Application of Common Owners and Joint Ventures
5703-29-03	Sampling
5703-29-04	Excluded Person – Consolidated Elected and Combined Taxpayer Groups

5703-29-05	Quarterly Taxpayers Must File and Pay Electronically
5703-29-06	Transfers of Property Into the State
5703-29-07	Qualified Foreign Trade Zone Area
5703-29-08	Request for Member of a Combined Taxpayer Group to File Separately
5703-29-09	Option for Quarterly Taxpayers to Make Estimated Payments
5703-29-10	Nonprofit Organizations and Contributions
5703-29-11	Commercial Activity Tax Credit for Unused Franchise Tax Net Operating Losses
5703-29-12	Temporary Motor Fuel Exemptions from the Commercial Activity Tax
5703-29-13	Commercial Activity Tax Definition of Agent
5703-29-14	Commercial Activity Tax Definition of Cash Discounts
5703-29-15	Highway Transportation Services – Bright-Line Presence and Siting
5703-29-16	Qualified Distribution Center
5703-29-17	Siting of Certain Services for Purposes of the Commercial Activity Tax
5703-29-18	Records Retention Requirements
5703-29-19	Changes in Ownership
5703-29-20	Siting Receipts from Periodic Payments for Mobile Property
5703-29-21	Pre-Income Tax Trusts, Explained with Revocation Procedures
5703-29-22	Explanation of the Commercial Activity Tax Credits

No Changes to Estate Tax Rules



Index of Charts and Tables

This index provides a by-chapter listing of the charts and tables contained in the Annual Report, organized by the major section in which the chapter is found. Chapters which do not contain charts or tables are omitted.

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