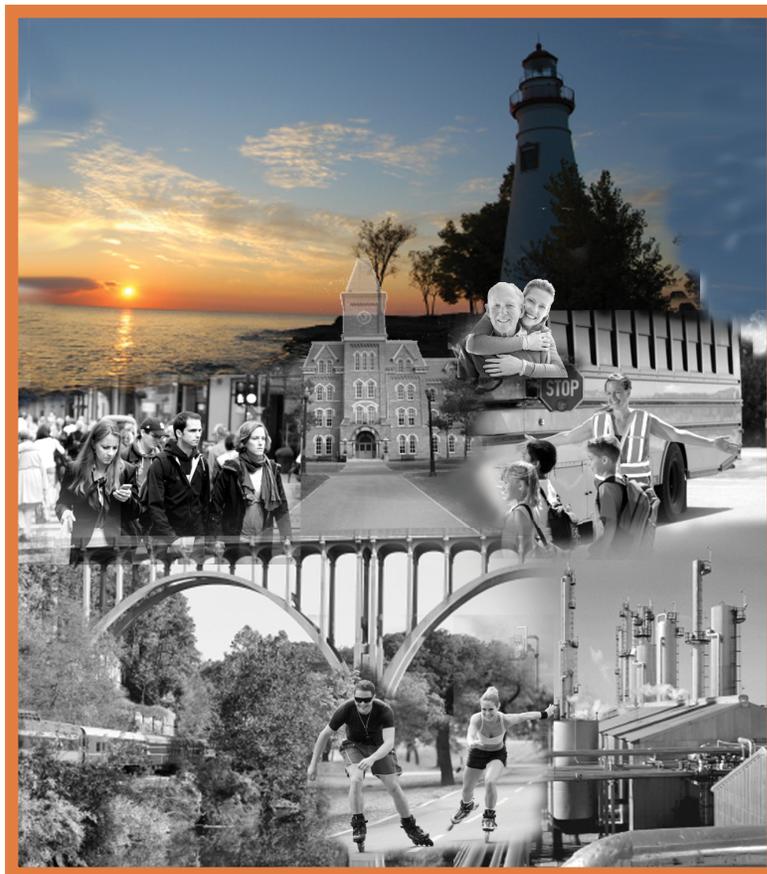


# Ohio

## Department Of Taxation 2011 Annual Report



**John R. Kasich**  
Governor

**Joseph W. Testa**  
Tax Commissioner



# Department of Taxation

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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 2011 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during fiscal year 2011 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'.

Joseph W. Testa  
Tax Commissioner



# Ohio Department of Taxation 2011 Annual Report

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

**Joseph W. Testa**  
Ohio Tax Commissioner



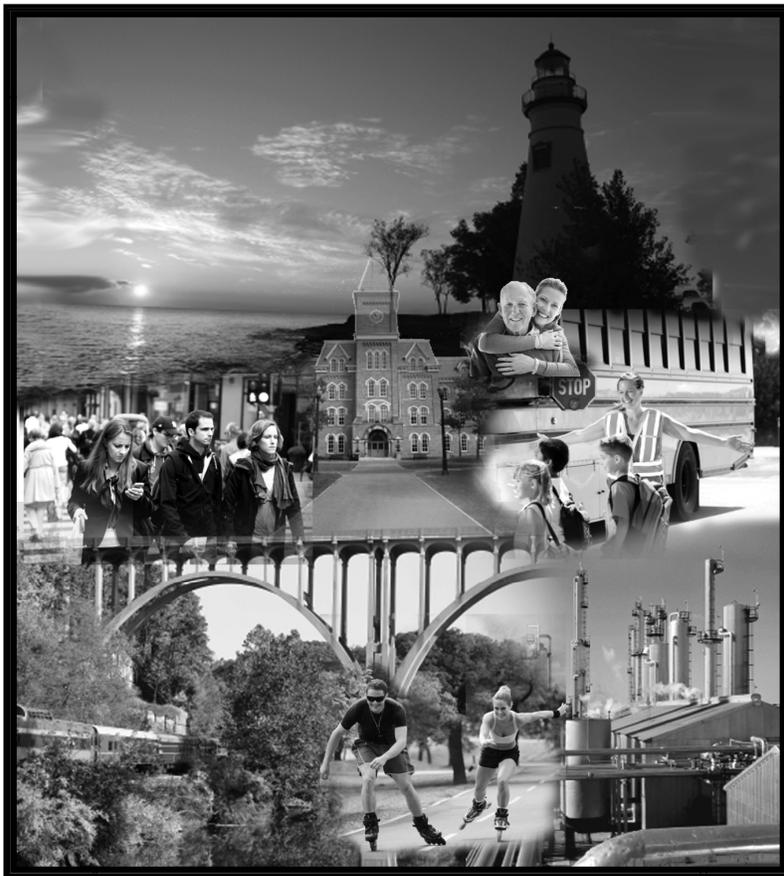


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# Part I: Year in Review





## Year in Review

**F**iscal Year 2011 (ending June 30, 2011) was a year of transition for the Ohio Department of Taxation (ODT). Ohio voters chose to change governors and that choice, Governor John R. Kasich, brought a new tax commissioner, former Franklin County Auditor Joe Testa, to the department in January 2011. Testa is the 18th tax commissioner appointed by a governor of Ohio since the department was created in 1939.

The new governor and new tax commissioner arrived with a slightly growing economy producing tax revenues sufficient in FY 11 to reverse a four-year decline in the state's general revenue. Driving the growth in revenues were Ohio's two largest taxes, with personal income taxes payments jumping nearly twelve percent and sales tax receipts coming in more than seven percent higher.

### **ODT: Managing with Economy**

Despite some revenue rebound, the state was facing a projected \$8 billion deficit in the upcoming biennium (FY 2012-13) and the new administration responded with a charge to focus on managing state government with maximum economy. The Department, with the new eyes and perspectives of a new administration, began a search for economies and efficiencies across ODT's operations.

That search yielded an opportunity for ODT to reduce its size and budget. With the increasing use and impact of technology – more taxpayers filing on-line, an ever-expanding use of a centralized telephone system to provide efficient and consistent taxpayer service, and a shift to a telecommuting business model for auditors and enforcement agents -- fewer customers than ever were visiting the department's eight Taxpayer Service Centers around the state. The decision was made to close all service centers but the one in Columbus at the end of FY 11.

The impact of the service center closings would provide for significant savings in the department's proposed budget and even greater reduction in staff size. With a downsizing totaling 12% of authorized personnel, the budget request for the next biennium recognized savings (all funds) of 9.2%, or more than \$30.8 million. The FY 11 operating budget totaled \$90.2 million (General Revenue Funds only).

The focus on economizing and efficiency produced other, if somewhat smaller, savings as well. More than one million dollars came from steps taken that vastly improve the processing of tax appeals, which also significantly reduced a backlog of appeals waiting to be resolved. In fewer than six months, the backlog was reduced from 17,500 cases to less than 7,000. The new system is producing better tracking, faster results, lower average cost per case and less storage, paper, and handling.

Reducing the use of paper also cut significantly into the cost of printing and postage in the administration of the income tax. With increasing numbers of taxpayers filing and paying income tax online – 78.5% in Tax Year 2010, up from 72.4% in Tax Year 2009 – the demand for forms and instructional booklets, and the need to correspond with taxpayers by mail has dropped considerably. The result: a savings on printing and postage of nearly \$1.2 million dollars.

The priority of driving the department to an even greater use of electronic filings and communications and less reliance on paper prompted two initiatives with potential to produce even more savings. The department is studying ways to facilitate the filing of more of its 1,400 forms online, and is in the process of adopting new web site management tools that will offer better and more services to taxpayers wanting to do business with the department online.

### **ODT: New Laws; New Initiatives**

There was a flurry of legislative and executive initiatives enacted in FY 11 entrusting the Department of Taxation with some major new responsibilities to help taxpayers understand and comply with Ohio's tax laws. Principal among those were two tax amnesty programs scheduled for the following biennium.

#### **Tax Amnesty Programs**

The department began planning for a Use Tax Amnesty scheduled to run from October 2011 to May of 2013 and a separate General Tax Amnesty scheduled from May 1 to June 15, 2012. Each amnesty has a somewhat different goal but both offer significant opportunity for taxpayers to save money and come into compliance with tax laws.

The Use Tax Amnesty aims to raise awareness among and help educate Ohio businesses about the little known and often misunderstood use tax. The amnesty is designed to be business friendly and will offer incentives to those taxpayers who come forward to register and pay use tax they owe. Those incentives include limiting potential tax liability to no more than two years, allowing taxpayers with use tax liability to pay their obligation with no penalty or interest, and offering a payment plan for those with liabilities exceeding \$500. An important goal of the program is to promote equity by making sure all Ohio businesses are fulfilling their tax obligations.

The General Tax Amnesty is designed to provide all taxpayers, individual and business, an opportunity to settle their tax bills at a lower cost and produce additional revenues to fund services to all Ohioans. This amnesty allows taxpayers who come forward to pay unreported liabilities to avoid penalty and half the interest charge normally imposed. Estimates are that this amnesty could produce up to \$40 million dollars for the state and local governments.

Fiscal Year 2011 included the launching of some other major tax initiatives; one that will provide a major cut in Ohio tax, the other a major opportunity to spur investment in Ohio businesses and the state's economy.

**Repealing Ohio's Estate Tax**

Legislation approved in FY 11 will eliminate the Ohio estate tax effective January 1, 2013. That tax generated more than \$374 million in Fiscal Year 2011. Local governments receive eighty percent of the estate tax; state government receives twenty percent. The tax has roots in Ohio tracing back to 1893.

**InvestOhio: Boosting Ohio's Small Businesses**

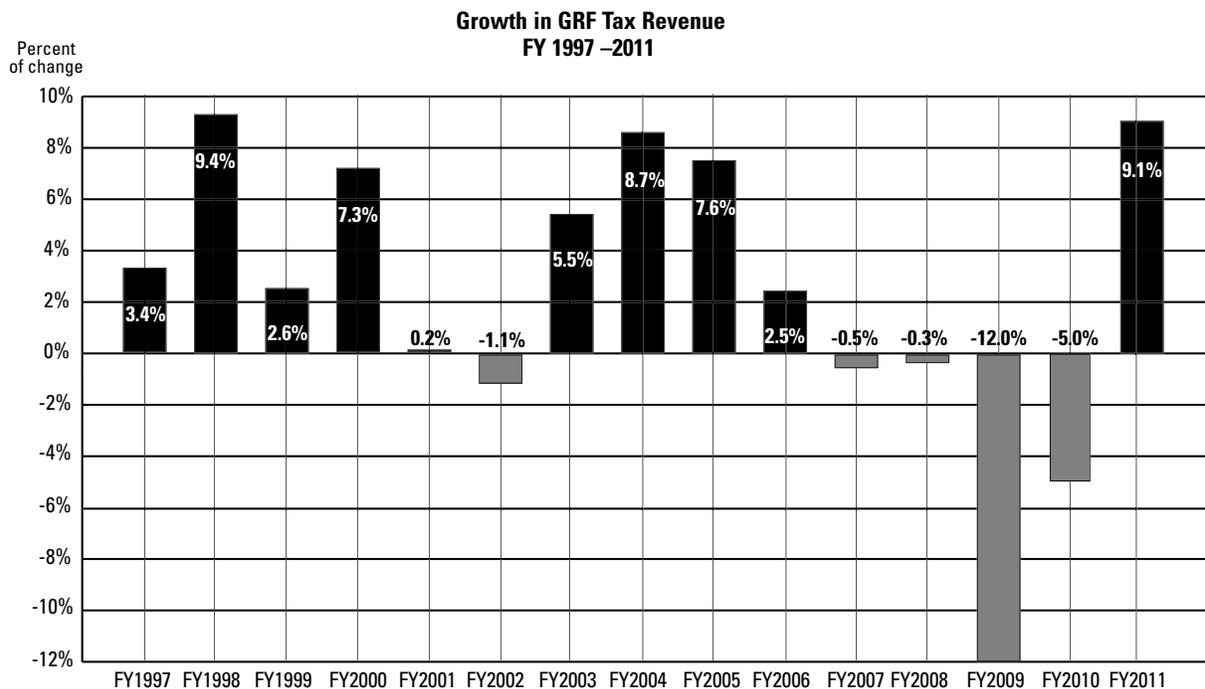
The Governor and General Assembly also agreed in FY 11 to create a new program to spur investments in Ohio small businesses of up to one billion dollars over the next biennium. The program is called InvestOhio. The program allows in-

vestors to take a non-refundable credit on their Ohio income tax equal to ten percent of their investment. The investment must be held for two years. Allowable credits are capped at \$100 million over the biennium.

**Preserving the Income Tax Cut**

Fiscal Year 2011 also included the revival of a 4.2% cut in Ohio's income tax rates, the fifth and final installment of a planned 21% cut that began in 2005. This final reduction had been delayed for two years because of the state's budget difficulties. This final cut will put an estimated \$446 million back into the wallets of Ohio taxpayers.

State income tax payers benefitted during FY 11 from another measure that saved them approximately \$25 million. Ohio, for the first time, began adjusting its income tax brackets to account for inflation. Ohio joined about a dozen other states that index for inflation.



	Revenue	change
2005	\$19,088.0	+ 7.6%
2006	\$19,563.4	+ 2.5%
2007	\$19,468.9	- 0.5%
2008	\$19,419.5	- 0.3%
2009	\$17,093.7	- 12.0%
2010	\$16,233.6	-5.0%
2011	\$17,706.1	+9.1%



## Responsibilities and Organization of the Department

### The Tax Commissioner

**S**ection 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, 2011. The department had five 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 serve those in other states that have a business or residential nexus with Ohio, the department maintains regional audit centers near New York City, Chicago, and Los Angeles.

At the close of fiscal year 2011, the department had 1,347 permanent employees. During the fiscal year, the department spent about \$140.1 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 calendar year 2011, the Taxpayer Services Division handled 1,133,360 phone calls and 44,893 e-mail queries. Agents also assisted 18,569 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 vendor registration for liquor permit holders and safekeeping information and data purification.

When time permits, Taxpayer Services assists several other divisions with their workload to avoid backlog, which in turn decreases the need for taxpayers to contact the department.

#### **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 2011, the Compliance Division certified 160,472 personal income tax and 77,101 school district income tax assessments to the Ohio Attorney General's Office for total certified amounts of \$339,241,201 and \$27,687,479, 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 16 hearing officers and supervisors and three support staff as of June 30, 2011, a decrease of one hearing officer and an addition of one support person from fiscal year 2010. Tax Appeals tracks final determinations by calendar year. In calendar year 2011, the division had an opening balance of 13,698 cases and received an additional 8,278 during the year. A total of 18,309 final determinations were finalized, for an end-of-year balance of 3,667 cases on hand. The outstanding inventory of cases has improved from calendar year 2010, when Tax Appeals started the year with 15,603 cases, received 8,438 more during the year, finalized 10,343 final determinations, and ended with a balance of 13,698 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 At-

torney General's office. The Appeals Management Division had 10 employees as of June 30, 2011.

Case information is tracked on a calendar year basis. As of Dec. 31, 2011, Appeals Management had 1,343 cases on appeal at the Board of Tax Appeals; 14 in the state appeals court system; 15 at the Ohio Supreme Court and one at the United States Supreme Court. This was an increase in cases from 2010, when the division had 855 cases on appeal at the Board of Tax Appeals; 9 in the state appeals court system; 22 at the Ohio Supreme Court; and one at the United States Supreme Court.

#### **Bankruptcy Division**

The Bankruptcy Division is charged with pursuing 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. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. After a bankruptcy case is closed or discharged, the division must determine whether taxes still remain due or are effectively discharged by the bankruptcy process. The Bankruptcy Division works closely with the Ohio Attorney General's Office to assist with collection processes and to answer informal and formal objections concerning both tax and bankruptcy related issues. The Bankruptcy Division had 12 employees as of June 30, 2011.

In calendar year 2011, the division received 12,179 notices of bankruptcies filed. It processed a total of 4,676 proofs of claim, which amounted to \$114,335,358. By comparison, during calendar year 2010, 12,897 notices of bankruptcy were received and 4,252 proofs of claim were processed amounting to \$112,792,584.

#### **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, 2011, the Audit Division completed the following number of audits for each of these tax types:

<b>Tax Type</b>	<b>Total Audits</b>
Sales and Use	1158
Personal Property	145
Corporation Franchise	544
Pass-Through Entity	520
Employer Withholding	285
Commercial Activity	139
School District	1
<b>Total</b>	<b>2,792</b>

#### **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 was created in 1971, 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, 2008 and again in 2011, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies Inc. In 2011, the division attained Advanced Accreditation 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.

The Enforcement Division through its activities also generates revenue for state services. During calendar year 2010, Enforcement's efforts brought in \$5,500,000. For calendar year 2011, Enforcement efforts resulted in over \$7,000,000 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.

Through the identification of additional tax liability by Tax Discovery, the department collected approximately \$26.4

million in cash in FY 2011, 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 some reason 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 some 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.

### Tax Processing and Data Capture

Tax Processing and Data Capture 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;
- 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 2011 calendar year, Income Tax returns transmitted electronically accounted for 4,160,946 of the 5,302,237 total or 78.5% of all income tax returns received. The electronic 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. This filing method accounted for 48,710 returns.
- The Internal Revenue Service's e-file program, which became available through tax practitioners and software packages starting in 1999. This filing method handled 3,565,641 returns.
- **Ohio I-File**, a Web-based solution introduced in 2003 for the 2002 filing year. I-File asks taxpayers a series of questions, and then compiles a state or school district income tax return based on those answers. The Ohio I-File system recorded 504,783 returns for income tax.
- **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 2010 taxable year, eForm returns totaled 41,812 transmissions.

School District returns received during calendar year 2011 totaled 736,631. Electronic transmissions accounted for 564,897 or 76.5% of all returns.

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 Income and School District Income Tax Division annually conducts extensive testing with more than 30 software vendors for both the electronic products and both 1D and 2D barcoding on paper returns. The Ohio I-File and TeleFile systems are updated and tested annually to ensure maximum accuracy and optimum taxpayer experience.

The Tax Processing and Data Capture Division processed 5.9 million paper tax returns and payment coupons in calendar year 2011, listed below is volume by tax type:

Tax Type	Volume
CAT	124,812
Corporation Franchise	22,786
Employer Withholding	
/EWSD	1,725,006
Personal & School District	
Income Tax	3,618,826
PTE	145,455
Sales	267,067
Tax Equalization	58,522
<b>Total Documents Processed</b>	<b>5,962,474</b>

Additionally, Tax Processing and Data Capture Division 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 2011, ODT received approximately 1.9 million returns filed through the OBG (see chart below).

#### Electronic Returns Processed that were Filed Through the Ohio Business Gateway

CAT	270,000
Employer Withholding	492,614
Employer Withholding SD	163,583
Sales	943,720

From businesses, ODT also received 271,223 sales tax returns that were filed electronically through eForms and another 123,214 sales tax returns that were filed through TeleFile in calendar year 2011.

#### 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 one of the most visited sections 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 2011, Revenue Accounting distributed more than \$4.9 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 and manufactured home tax relief efforts from the 10 percent rollback, the 2.5 percent rollback and the homestead 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, wildlife and Military Injury Relief Fund donation check-offs; and

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.

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 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 serve 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 operations 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, invoice payment, travel expense reimbursement, telecommunication management, asset management and financial reporting. 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, disposal 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 news 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](http://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 2011, Information Services worked in partnership with many areas of the business to convert additional tax forms so they can be scanned electronically rather than keyed manually, upgrade the automated call distribution center, expand options for direct deposit of personal income tax returns, and increase the efficiency of our tax discovery initiative.

Additionally, we continued our focus on the security of our internal and externally facing systems and applications, upgraded various hardware and software, and concentrated on keeping our infrastructure available and reliable.

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 to the Executive Administrator of Human Resources 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 and Office of Budget and Management's Internal Audit offices.

### 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.

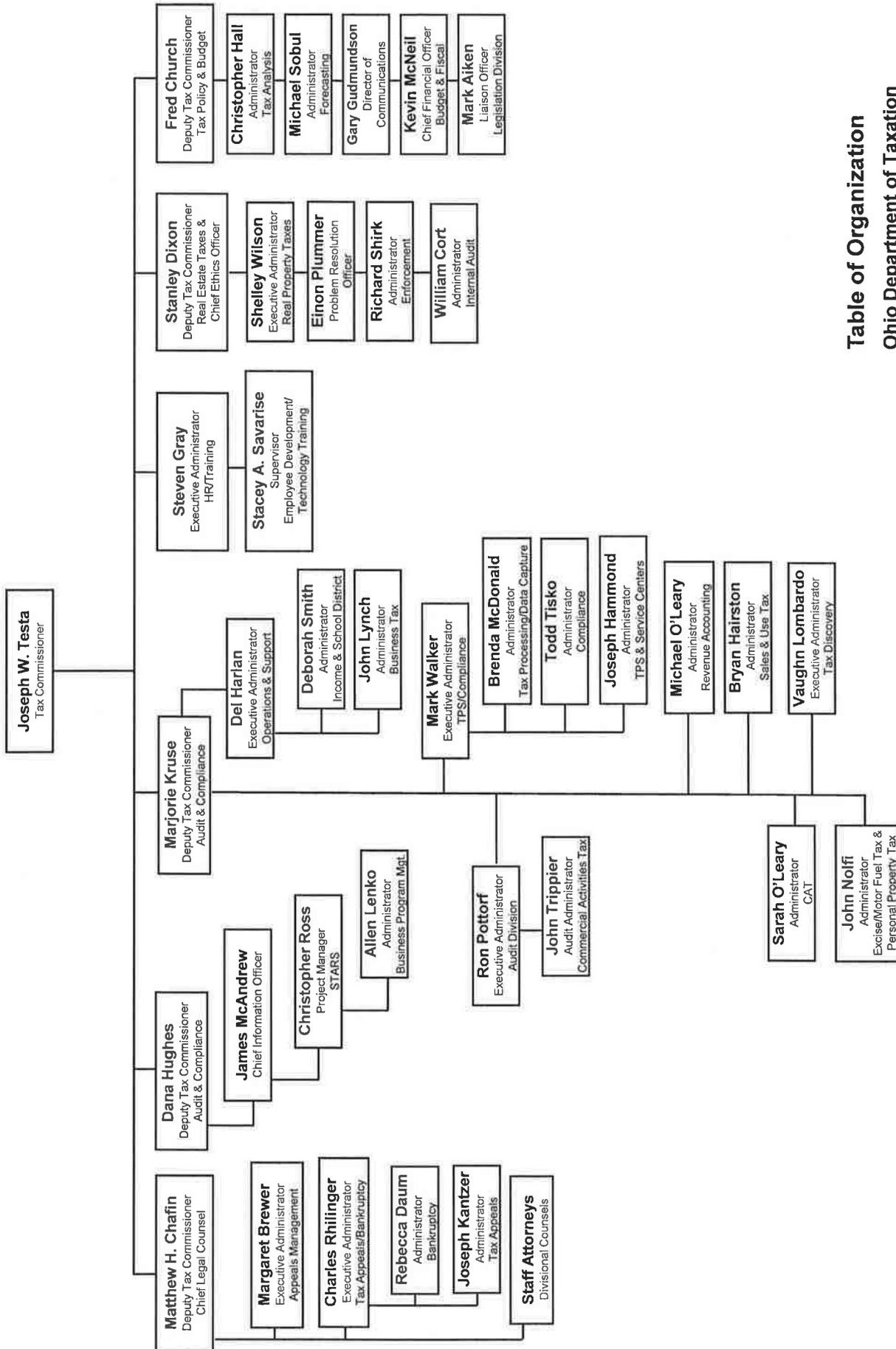
## Administrative Tables

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

<b>Tax Commissioner</b>	<b>Began service</b>	<b>Ended service</b>	<b>Appointed by</b>
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
<b>Joseph W. Testa</b>	Jan. 10, 2011		<b>John R. Kasich</b>



**Table of Organization**  
Ohio Department of Taxation  
July 1, 2011

Table 1

<b>Ohio Department of Taxation Staff Structure &amp; Number of Employees: Fiscal Year 2011</b>			
<b>Unit of Organization</b>	<b>Number of Employees</b> June 30, 2011	<b>Unit of Organization</b>	
<b>Administrative Divisions</b>		<b>Estate Tax</b>	<b>8</b>
Tax Commissioner	11		
Human Resources	12	<b>Excise &amp; Motor Fuel Tax</b>	<b>42</b>
Tax Analysis	7		
Employee Dev. & Training	8	<b>Facilities Management</b>	<b>20</b>
Legislation	3		
Communications	4	<b>Forms &amp; Printing</b>	<b>6</b>
HR/TCA Training	4		
Business Program Management	<u>12</u>	<b>Information Services</b>	<b>130</b>
<b>Total</b>	<b>61</b>	<b>Internal Audit</b>	<b>2</b>
<b>Audit</b>		<b>Tax Processing &amp; Data Capture</b>	<b>94</b>
Administration/Support	19		
South Central Region	70	<b>Personal Income &amp; School District Tax</b>	<b>80</b>
Northwest Region	103		
Northeast Region	87	<b>Sales &amp; Use Tax</b>	<b>49</b>
New York	8		
Chicago	11	<b>Tax Discovery</b>	<b>31</b>
Los Angeles	<u>16</u>		
		<b>Tax Equalization</b>	<b>26</b>
<b>Total</b>	<b>314</b>		
<b>Budget &amp; Fiscal</b>		<b>Taxpayer Service Centers</b>	
	<b>25</b>	Akron	13
<b>Business Tax</b>		Cincinnati	13
	<b>67</b>	Cleveland	14
<b>Chief Counsel</b>		Dayton	14
	<b>52</b>	Toledo	14
<b>Commercial Activity Tax</b>		Youngstown	11
	<b>39</b>	Zanesville	<u>10</u>
<b>Compliance</b>		<b>Total</b>	<b>89</b>
	<b>82</b>		
<b>Enforcement</b>		<b>Taxpayer Services</b>	<b>100</b>
	<b>30</b>		
		<b>Total Permanent Employees</b>	<b>1,347</b>

Chart 1

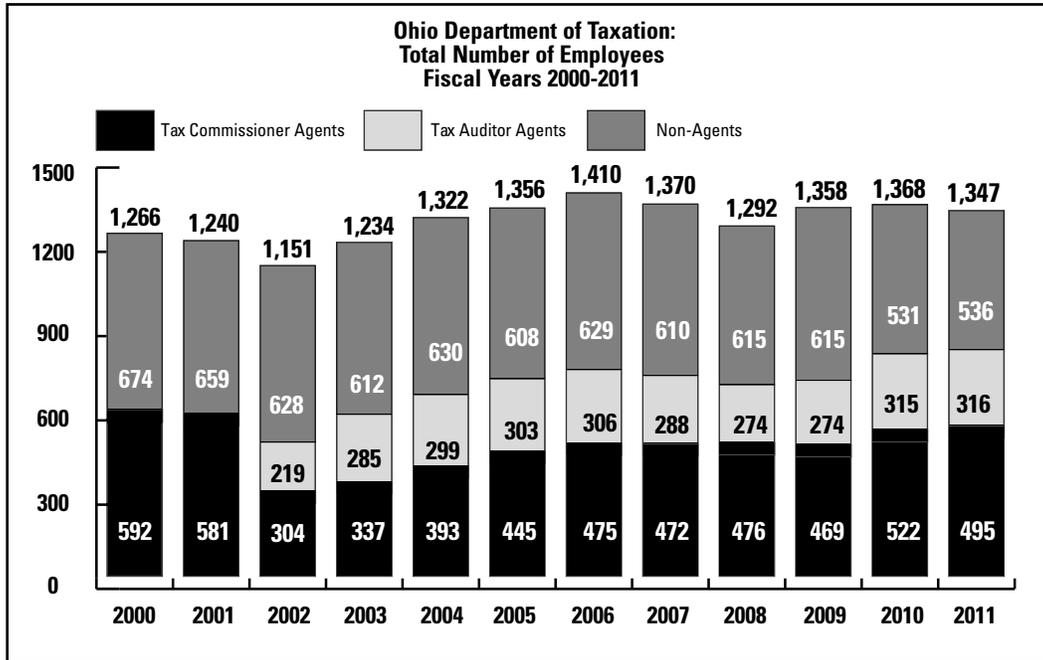


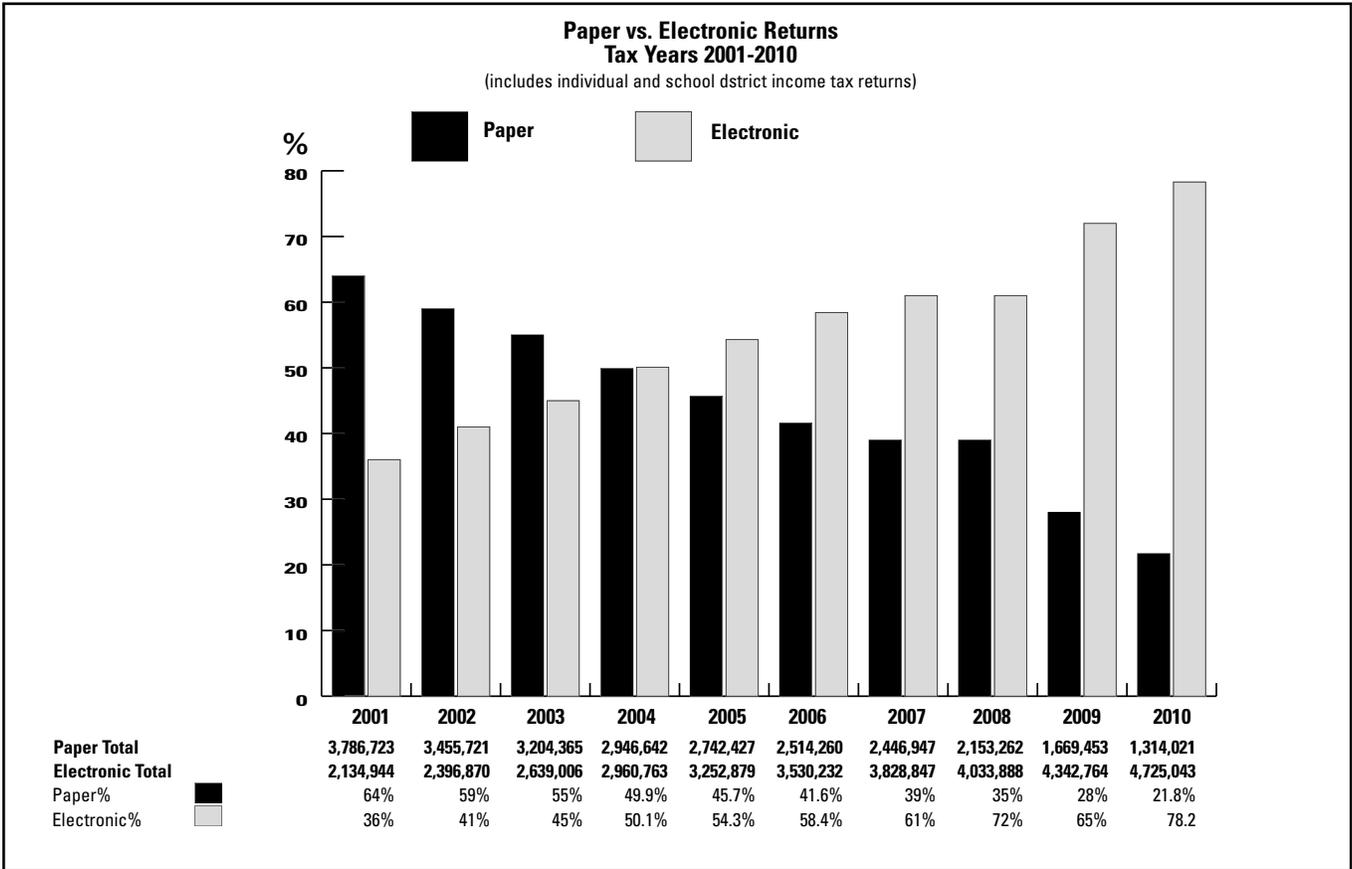
Table 2

Division	Personal Service	Maintenance	Equipment	Total
Administration	\$8,608,648	\$1,898,218	\$20,319	\$10,527,185
Audit	25,083,766	2,262,820	0	27,346,585
Business Tax	5,254,052	457,103	0	5,711,155
Chief Counsel	4,692,336	247,278	0	4,939,614
Commercial Activity Tax	2,490,739	154,413	0	2,645,152
Compliance	6,875,602	162,708	0	7,038,310
Enforcement	2,440,872	433,305	129,513	3,003,689
Estate Tax	749,294	25,986	0	775,281
Excise, Motor Fuel & Public Utility	3,373,868	1,069,659	0	4,443,527
Information Services	17,252,452	7,222,641	1,576,664	26,051,757
Processing	6,886,616	1,005,082	0	7,891,698
Personal Income & School District	5,389,801	4,697,784	0	10,087,585
Sales & Use Tax	3,470,878	2,909,528	0	6,380,406
Tax Discovery	6,646,998	70,476	0	6,717,474
Tax Equalization	2,042,733	163,528	0	2,206,261
Taxpayer Services	12,752,849	1,563,628	0	14,316,477
<b>Total</b>	<b>\$114,011,502</b>	<b>\$24,344,159</b>	<b>\$1,726,496</b>	<b>\$140,082,157</b>

Table 3

<b>Ohio Individual Income &amp; School District Income Tax Return Filing: Tax Years 2001 - 2010</b>										
<b>State Returns</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Form IT 1040 (Paper)	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	832,387
Form IT 1040 EZ (Paper)	814,473	663,406	593,326	491,338	678,362	683,055	520,271	462,551	393,760	307,791
<b>Total Paper</b>	<b>3,399,609</b>	<b>3,094,295</b>	<b>2,853,151</b>	<b>2,610,138</b>	<b>2,420,710</b>	<b>2,207,039</b>	<b>2,122,894</b>	<b>1,859,662</b>	<b>1,455,766</b>	<b>1,140,178</b>
IRS e-file program	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	3,565,641
Telefile	621,810	534,787	435,883	375,944	292,217	227,173	142,087	98,220	67,499	48,710
I-File	-0-	118,444	213,815	303,896	346,302	405,071	413,833	494,013	489,254	504,783
eForm IT 1040							20,601	21,350	16,630	20,258
eForm IT 1040 EZ							24,078	20,787	14,183	21,554
<b>Total Electronic</b>	<b>2,018,741</b>	<b>2,269,618</b>	<b>2,487,357</b>	<b>2,749,507</b>	<b>2,986,912</b>	<b>3,207,814</b>	<b>3,439,557</b>	<b>3,587,372</b>	<b>3,812,322</b>	<b>4,160,946</b>
<b>Total State Returns</b>	<b>5,418,350</b>	<b>5,363,913</b>	<b>5,340,508</b>	<b>5,359,645</b>	<b>5,407,622</b>	<b>5,414,853</b>	<b>5,562,451</b>	<b>5,447,034</b>	<b>5,268,088</b>	<b>5,301,124</b>
Percentage filed on paper	62.7%	57.7%	53.4%	48.7%	44.8%	40.8%	38.2%	34%	27.6%	21.5%
Percentage filed electronically	37.3%	42.3%	46.6%	51.3%	55.2%	59.2%	61.8%	66%	72.4%	78.5%
<b>School District Returns</b>										
Form SD 100 (paper)	387,114	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687	173,843
<b>Total Paper</b>	<b>387,114</b>	<b>361,426</b>	<b>351,214</b>	<b>336,504</b>	<b>321,717</b>	<b>307,221</b>	<b>324,053</b>	<b>293,600</b>	<b>213,687</b>	<b>173,843</b>
IRS w/SDIT	116,203	127,252	151,649	183,777	224,825	266,247	318,190	366,276	443,999	473,693
I-File				27,479	41,142	56,171	66,077	77,187	82,120	86,280
eForm SD100							5,023	4,937	4,323	4,924
<b>Total Electronic</b>				<b>211,256</b>	<b>265,967</b>	<b>322,418</b>	<b>389,290</b>	<b>448,400</b>	<b>530,442</b>	<b>564,897</b>
<b>Total School Returns</b>	<b>503,317</b>	<b>488,678</b>	<b>502,863</b>	<b>547,760</b>	<b>587,684</b>	<b>629,639</b>	<b>713,343</b>	<b>742,000</b>	<b>744,129</b>	<b>738,740</b>
Percentage filed on paper	76.9%	64.0%	69.8%	61.4%	54.7%	48.8%	45.4%	39.5%	28.7%	23.5%
Percentage filed electronically	23.1%	26.0%	30.2%	38.6%	45.3%	51.2%	54.6%	60.5%	71.3%	76.5%
<b>All Returns</b>										
<b>Grand Total</b>	<b>5,921,667</b>	<b>5,852,591</b>	<b>5,843,371</b>	<b>5,907,405</b>	<b>5,995,306</b>	<b>6,044,492</b>	<b>6,275,794</b>	<b>6,189,034</b>	<b>6,012,217</b>	<b>6,039,864</b>
<b>Grand Total Paper</b>	<b>3,786,723</b>	<b>3,455,721</b>	<b>3,204,365</b>	<b>2,946,642</b>	<b>2,742,427</b>	<b>2,514,260</b>	<b>2,446,947</b>	<b>2,153,262</b>	<b>1,669,453</b>	<b>1,314,021</b>
<b>Grand Total Electronic</b>	<b>2,134,944</b>	<b>2,396,870</b>	<b>2,639,006</b>	<b>2,960,763</b>	<b>3,252,879</b>	<b>3,530,232</b>	<b>3,828,847</b>	<b>4,035,772</b>	<b>4,342,764</b>	<b>4,725,843</b>
Percentage filed on paper	64%	59%	55%	49.9%	45.7%	41.6%	39%	35%	27.8%	21.8%
Percentage filed electronically	36%	41%	45%	50.1%	54.3%	58.4%	61%	65%	72.2%	78.2%

Chart 2



**Table 4**

**Sales and Excise Tax Assessments Levied, and Unpaid  
Assessments Certified for Collection:  
Fiscal Years 2010- 2011**

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 2010		FY 2011		FY 2010	FY 2011
	Amount	Number	Amount	Number		
Sales & Use	\$677,551,191	189,765	\$598,404,195	168,280	\$503,701,604	\$389,054,278
Motor Vehicle Fuel	23,280,546	66	7,726,461	53	8,504,291	3,151,189
Cigarette	883,956	5	0	0	2,865,591	0
Other Tobacco Products	4,500,566	227	8,840,320	219	1,909,173	2,330,611
Alcoholic Beverage <sup>1</sup>	169,274	40	181,715	80	2,872	43,231
Severance	327,172	117	120,630	61	143,155	0
Horse Racing	0	0	0	0	0	0
Replacement Tire Fee	71	1	0	0	0	0
IFTA <sup>2</sup>	438,558	130	358,284	112	319,333	528,054
Kilowatt-Hour	64,891	3	0	0	0	0
Master Settlement Agreement <sup>3</sup>	<u>68,250</u>	<u>89</u>	<u>68,050</u>	<u>79</u>	<u>178,064</u>	<u>92,167</u>
<b>Total</b>	<b>\$707,284,475</b>	<b>190,443</b>	<b>\$17,295,469</b>	<b>168,884</b>	<b>\$517,624,083</b>	<b>\$6,145,252</b>

**Table 5**

<b>Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2010 - 2011</b>				
Tax	Fiscal Year 2010		Fiscal Year 2011	
	Amount	Number	Amount	Number
Corporation Franchise	\$121,356,126	24,244	\$254,708,598	26,362
Individual Income	<u>503,186,226</u>	<u>158,659</u>	<u>400,603,543</u>	<u>192,717</u>
<b>Total</b>	<b>\$624,542,353</b>	<b>182,903</b>	<b>\$655,312,141</b>	<b>219,079</b>

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**

<b>Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2011</b>									
(figures in millions)									
<b>Tax</b>	<b>Delinquent Programs</b>	<b>Automated Billing Programs</b>	<b>Assessment Collections</b>	<b>Audit Collections</b>	<b>Desk Exams</b>	<b>Discovery/Nexus</b>	<b>Discovery</b>	<b>Total</b>	<b>% of Total</b>
Sales and Use	\$75.6	\$28.4	\$88.9	\$16.3	n/a	n/a	0.1	\$209.3	35.4%
Corporate Franchise	7.2	6.5	7.4	36.9	\$3.0	n/a	n/a	61	10.3%
Personal Income	2.2	59.2	100.9	n/a	1.8	n/a	24.5	188.6	31.9%
Employer Withholding	0.2	4.8	9.9	0.5	0.3	n/a	0.7	16.4	2.8%
Commercial Activity Tax	21.9	11.3	20.9	2.5	0	8.1	n/a	64.7	10.9%
Excise	3.5	1.2	0.4	n/a	0.3	n/a	n/a	5.4	0.1%
Pass-Through Entity	n/a	n/a	2.7	1.9	8.8	6.7	1.1	21.2	3.6%
School District Income Tax	0.4	3.8	19.7	0	0.1	n/a	n/a	24	4.1%
<b>Total</b>	<b>\$111</b>	<b>\$115.2</b>	<b>\$250.8</b>	<b>\$58.1</b>	<b>\$14.3</b>	<b>\$14.8</b>	<b>\$26.4</b>	<b>\$590.6</b>	<b>100%</b>



## 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 \$24.9 billion in net collections during the period of this report, Ohio's 2011 fiscal year, which is the period from July 1, 2010 through June 30, 2011. 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 \$23.9 billion during the fiscal year. This was an increase of \$1.8 billion from the previous fiscal year, or about 8 percent. Receipts from locally-collected taxes were approximately \$1.0 billion in the 2010 calendar year, an increase of about \$76 million from the prior year, or about 8 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2011. Excluding federal aid, total revenue amounted to approximately \$19.3 billion. Of this total, tax revenue represented \$17.7 billion.

As the second table shows, the largest single revenue source for the general fund was the individual income tax, with approximately \$8.1 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than \$7.6 billion. From the 2010 to the 2011 fiscal year, income tax revenue increased by approximately 12.0 percent, and sales tax collections grew by 7.1 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. The increase in 2011 was largely due to one time gains.

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 \$536.0 million in revenue in fiscal year 2011, of which only \$153.9 million was deposited into the General Revenue Fund. The remaining \$382.1 million was distributed to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.3 percent of total General Revenue Fund taxes in fiscal year 2011. Most of the remaining 2.7 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 45.9 percent of tax revenue into the general fund for fiscal year 2011.

The total revenue from all state tax sources amounted to approximately \$23.1 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](http://tax.ohio.gov)); others can be obtained by contacting the Tax Analysis Division at (614) 466-3960.



**Table 2**

<b>General Revenue Fund Sources:</b>	
<b>Fiscal Year 2011</b>	
(figures in thousands)	
<b>Major Taxes:</b>	<b>2011 Collections</b>
Personal Income	\$8,120,323
Sales and Use	7,578,235
Corporation Franchise	236,633
Public Utility Excise	124,836
Kilowatt-Hour Excise	153,875
Cigarette Excise	885,610
Alcoholic Beverage Taxes (including liquor gallonage)	<u>92,840</u>
<b>Subtotal: Major Taxes</b>	<b>\$17,162,352</b>
<b>Other Taxes:</b>	
Domestic Insurance	189,369
Estate	72,081
Foreign Insurance	256,269
Dealers in Intangibles	26,026
<b>Subtotal: Other Taxes</b>	<b><u>543,745</u></b>
<b>Total: All Tax Revenue</b>	<b>\$17,706,098</b>
<b>Non-Tax Revenue</b>	
Earnings on Investments	7,088
Liquor Profits	153,000
Miscellaneous <sup>1</sup>	<u>1,467,971</u>
<b>Total: Non-Tax Revenue</b>	<b>\$1,628,059</b>
<b>GRAND TOTAL</b>	<b>\$19,334,157</b>

Source: Ohio Office of Budget and Management.

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

Chart 1

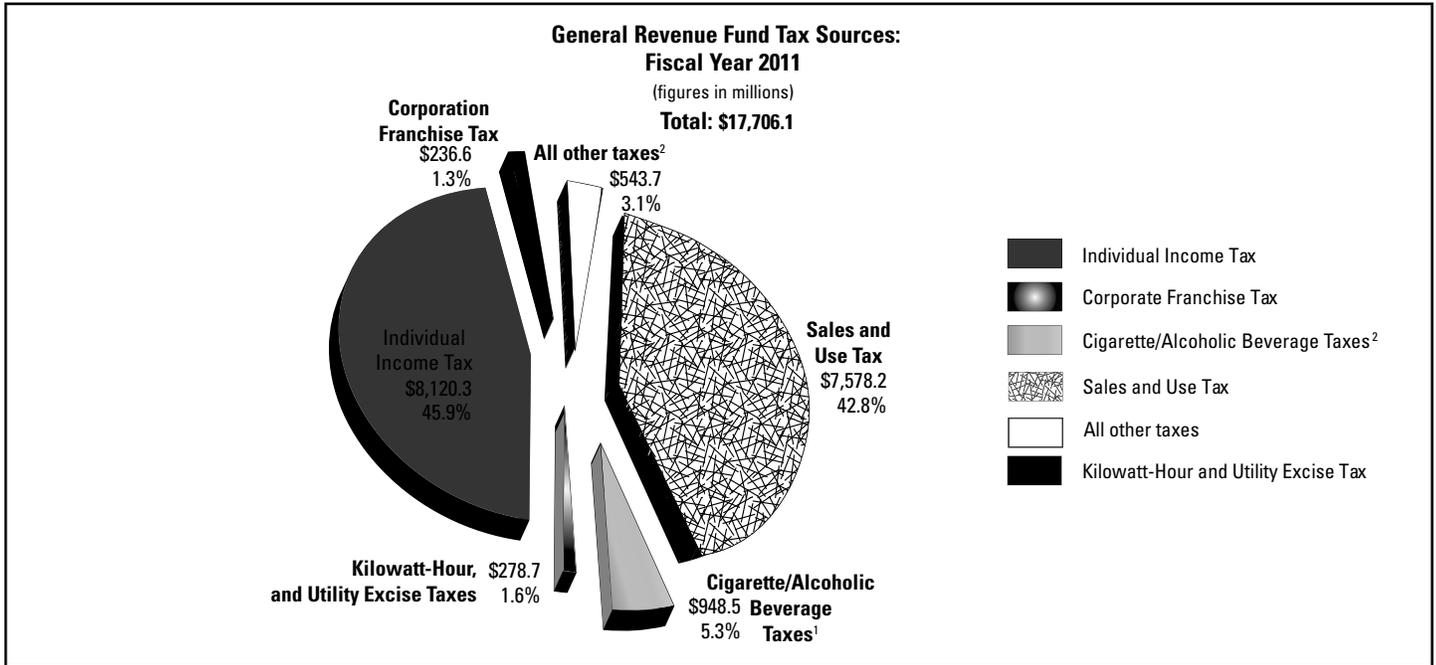
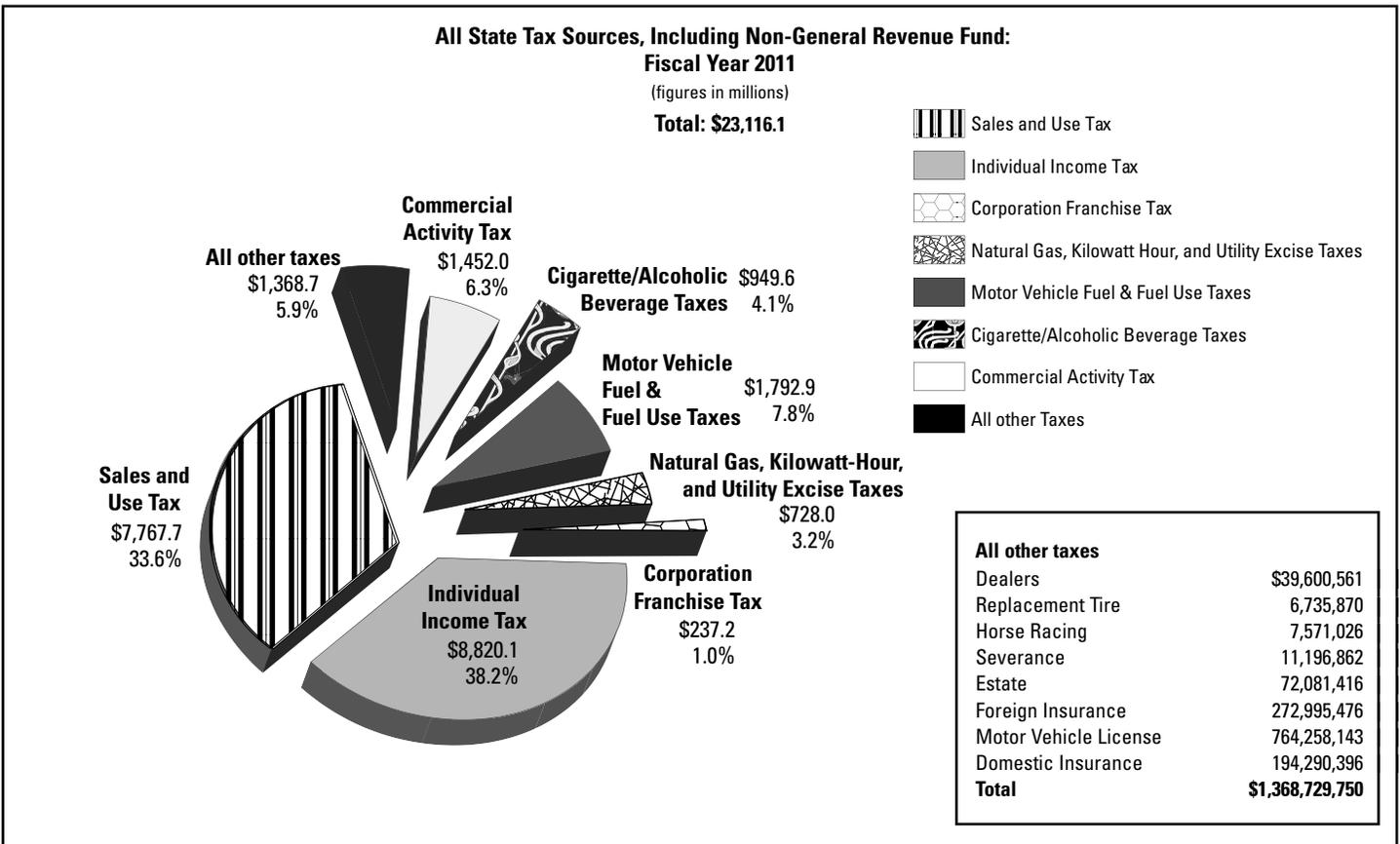
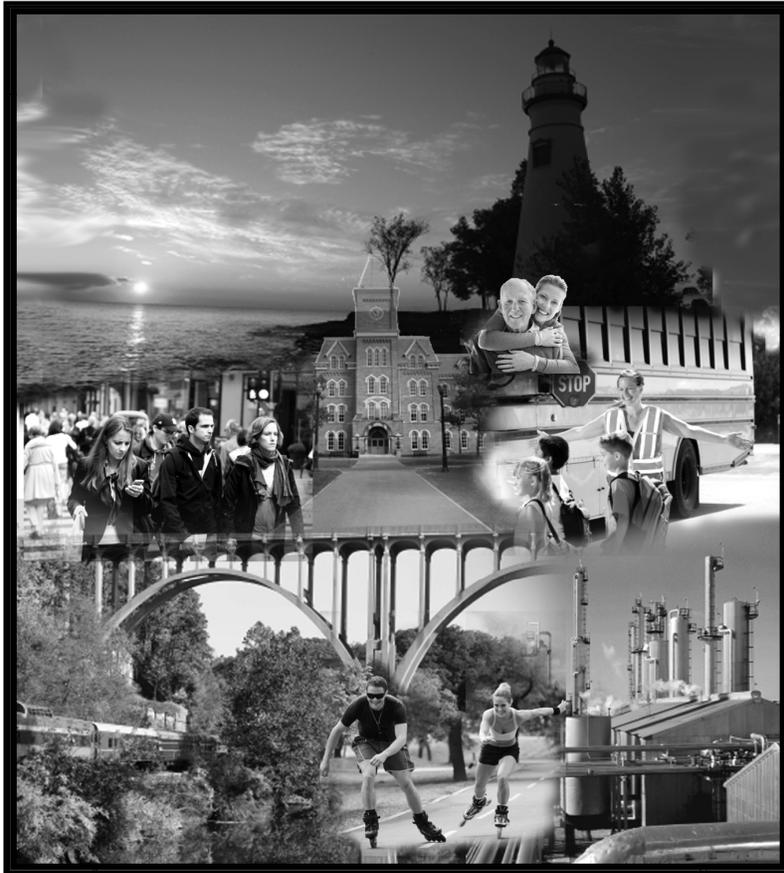


Chart 2



1 Includes tax on liquor of \$37.6 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 dealer in intangibles taxes.  
 3 (Includes tax on liquor of \$37.6 million which is administered by the Department of Commerce, Division of Liquor Control.  
 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.

## Part II: Ohio Taxes





## Alcoholic Beverage Taxes

**R**esponsibility 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 \$55.4 million in fiscal year 2011. 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) <sup>1</sup>
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:

<sup>1</sup> 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**

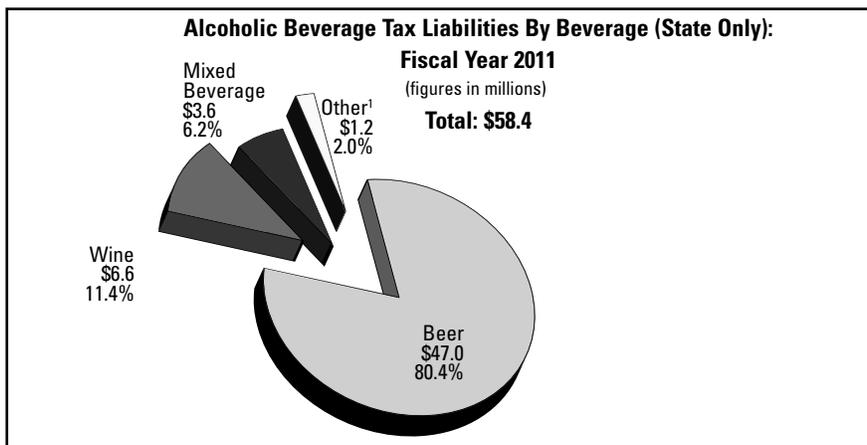
(R.C. 4307.04)

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**



<sup>1</sup> vermouth, sparkling wine, cider

**Table 1**

<b>Alcoholic Beverage Taxes, Payments, and Credits: Fiscal Year 2011</b>			
<b>Type of Beverage</b>	<b>Gross Tax</b>	<b>Credits and Discounts</b>	<b>Net Tax Receipts</b>
Beer:			
Advance tax payments	\$35,528,038	\$1,051,938	\$34,476,100
Payment with return	\$10,519,107	\$61,625	\$10,457,482
<b>Sub Total</b>	<b>\$46,047,145</b>	<b>\$1,113,563</b>	<b>\$44,933,582</b>
Wine and Mixed beverages:			
Payment with return	\$10,842,571	\$352,503	\$10,490,068
<b>Total</b>	<b>\$56,889,716</b>	<b>\$1,466,066</b>	<b>\$55,423,650</b>

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

**Table 2**

<b>Alcoholic Beverage Taxes Liability as Reported on Returns: Fiscal Years 2009 - 2011</b>			
<b>Type of Beverage</b>	<b>Amount of Tax Liability</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Beer	\$46,719,330	\$47,217,862	\$47,015,281
Wine 14% or less alcohol	4,891,512	5,268,210	\$5,227,464
Wine 14-21% alcohol	1,351,787	1,459,393	\$1,412,514
Mixed beverages	3,419,545	3,386,239	\$3,636,362
Vermouth	74,968	85,092	\$144,626
Sparkling wine	860,909	904,156	\$921,244
Cider	<u>62,307</u>	<u>74,789</u>	<u>\$96,395</u>
<b>Total</b>	<b>\$57,380,358</b>	<b>\$58,395,741</b>	<b>\$58,453,886</b>

Note: Amounts represent tax liability as opposed to tax payments reported on Table 1.

**Table 3**

<b>Cuyahoga County Beer and Wine Liabilities: Fiscal Years 2009 - 2011</b>			
<b>Type of Beverage</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Beer	\$4,436,383	\$4,170,738	\$4,396,108
Wine	<u>1,194,735</u>	<u>1,207,499</u>	<u>\$1,294,979</u>
<b>Total</b>	<b>\$5,631,118</b>	<b>\$5,378,237</b>	<b>\$5,691,087</b>

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



## Cigarette and Other Tobacco Products Tax

**O**hio 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 2011, total state receipts from the sale of stamps amounted to over \$803.7 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 2011, total net receipts were over \$52.1 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 sports facilities. 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 \$19.9 million during FY 2011 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](http://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**

<b>Cuyahoga County Cigarette Tax Receipts: Fiscal Years 2007 - 2011</b>			
<b>Fiscal Year</b>	<b>Gross Stamp Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
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
2011	20,246,705	364,440	19,882,265

Source: Treasurer of State.

**Table 2**

<b>Cigarette Tax Receipts: Fiscal Years 2007 - 2011</b>			
<b>Fiscal Year</b>	<b>Gross Stamp Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
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
2011	818,437,395	14,731,873	803,705,522

Source: Treasurer of State.

**Table 3**

<b>Other Tobacco Products Tax Receipts: Fiscal Years 2007 - 2011</b>			
<b>Fiscal Year</b>	<b>Gross Tax</b>	<b>Discount</b>	<b>Net Tax Collected</b>
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
2011	53,486,088	1,312,516	52,173,572

Source: Office of Budget and Management monthly accounting report (OH GL070),  
Treasurer of State.



## Commercial Activity Tax

**T**he 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 most 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 2011, the CAT produced \$1,451.6 million in total revenue. Of the amount remaining after 0.85 percent was deposited in the tax reform administration fund, \$1,005.9 million, or 70 percent, was deposited in the School District Property Tax Replacement Fund and \$431.1 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 2011 show that manufacturing taxpayers accounted for the largest share of tax liability, reporting \$349.3 million or 26.6 percent of the total while accounting for 10.1 percent of all taxpayers. The retail sector represented the largest group of taxpayers – 12.9 percent – and represented 19.3 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 70.5 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. 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 that are deemed “excluded persons” such as nonprofit organizations or certain types of entities that are liable for another Ohio tax, including:

- financial institutions and certain affiliates of financial in-

stitutions, 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 CAT is a business privilege tax measured by 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 plus apply an effective rate of .26% on receipts above \$1 million on a quarterly basis (with a \$250,000 quarterly exclusion).

### Credits

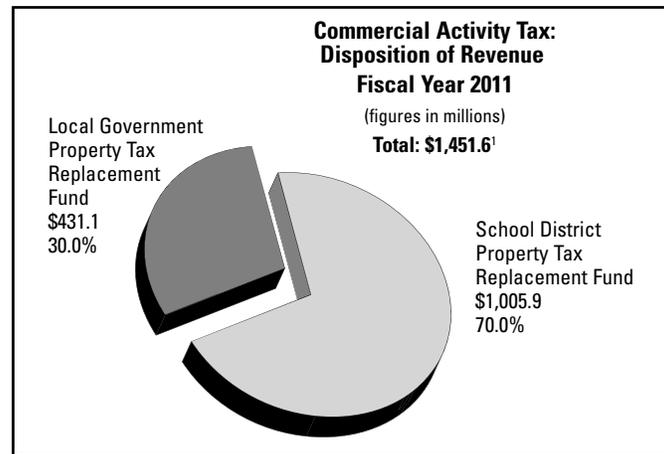
(R.C. 5751.51 – 5751.53, 5751.98)

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.

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

**Chart****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 2011 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.

These funding shares change beginning in fiscal year 2012. In that year, the revenue distribution shifts to provide 25% to the GRF, 52.5% to the school district property tax replacement fund and 22.5 percent to the local government property tax replacement fund. These values change again in 2013 and stabilize for all years thereafter to 50%, 35% and 15%, respectively.

**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]."

<sup>1</sup> 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**

Fiscal Year 2011 Commercial Activity Tax Returns, Number of Returns and Reported Financial Data, by Industrial Classification <sup>1</sup> (Dollar amounts are in thousands)											
Industrial Classification	NAICS Code Ranges	Number of Taxpayers	Number of Taxable Gross Receipts	Exclusion <sup>2</sup>	Net Taxable Gross Receipts	Tax Rate at 0.26%	Annual Minimum Tax <sup>3</sup>	Tax Before Credits	Non-refundable Tax Credits	Refundable Tax Credits	Total Tax Due: 0.26% Tax and Minimum Tax
Agriculture, Forestry, and Fishing	111100-115310	5,867	\$5,814,984	\$2,623,826	\$3,185,158	\$8,281	\$880	\$9,161	\$0	\$4	\$9,157
Mining	211110-213110	730	5,558,688	422,267	5,136,422	13,355	110	13,464	16	123	13,325
Utilities (excluding telecommunications)	221100-221300	139	17,108,192	87,306	17,020,887	44,254	21	44,275	0	562	43,713
Construction	236110-238900	14,547	27,795,374	7,223,560	20,561,814	53,461	2,182	55,643	110	0	55,533
Manufacturing	311110-339900	15,576	171,250,450	10,555,417	160,695,033	417,807	2,336	420,143	23,482	17,315	379,337
Wholesale Trade	423100-425120	8,712	94,232,316	5,835,579	88,396,737	229,832	1,307	231,138	733	982	229,424
Retail Trade	441110-454390	19,900	124,086,664	11,525,144	112,561,519	292,660	2,985	295,645	646	20,758	274,241
Transportation and Warehousing	481000-493100	4,218	14,449,097	2,280,717	12,168,380	31,638	633	32,270	89	1,067	31,114
Information (including telecommunications)	511110-519100	1,556	26,053,417	917,610	25,135,807	65,353	233	65,586	1,906	726	62,954
Finance and Insurance	522110-525990	5,578	9,790,384	1,956,308	7,834,075	20,369	837	21,205	0	793	20,412
Real Estate, and Rental & Leasing of Property	531110-533110	12,835	15,104,501	5,541,611	9,562,890	24,864	1,925	26,789	9	0	26,780
Professional, Scientific and Technical Services	541110-541990	14,266	35,624,433	7,136,215	28,488,217	74,069	2,140	76,209	455	1,865	73,889
Management of Companies (Holding Companies)	551111-551112	880	32,358,049	666,957	31,691,092	82,397	132	82,529	1,322	6,310	74,897
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	3,825	8,731,646	1,910,161	6,821,485	17,736	574	18,310	155	310	17,844
Education, Health Care and Social Assistance	611000-624410	12,035	24,452,613	7,056,470	17,396,143	45,230	1,805	47,035	86	0	46,949
Arts, Entertainment, and Recreation	711100-713900	1,498	2,489,089	694,056	1,795,032	4,667	225	4,892	0	0	4,892
Accommodation and Food Services	721110-722410	8,335	14,433,018	4,529,381	9,903,637	25,749	1,250	27,000	153	0	26,847
Other Services	811110-812990	7,835	7,324,039	3,504,176	3,819,863	9,932	1,175	11,107	0	42	11,065
Unclassified	n/a	16,067	13,215,702	5,989,717	7,225,985	18,788	2,410	21,198	17	140	21,041
<b>TOTAL</b>		<b>154,399</b>	<b>\$649,862,655</b>	<b>\$80,462,479</b>	<b>\$569,400,176</b>	<b>\$1,480,440</b>	<b>\$23,160</b>	<b>\$1,503,600</b>	<b>\$29,189</b>	<b>\$50,999</b>	<b>\$1,423,412</b>

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2011. 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 2010, November 2010, February 2011 and May 2011 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 Each quarter a 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.

Table 2

Fiscal Year 2011 Commercial Activity Tax Returns, Number of Returns and Reported Financial Data by Size of Taxable Gross Receipts <sup>1</sup>										
(Dollar amounts are in thousands)										
Size of FY 2011 Taxable Gross Receipts <sup>2</sup>	Number of Taxpayers	Taxable Gross Receipts	Exclusion <sup>3</sup>	Net Taxable Gross Receipts	Tax at 0.26% Rate	Annual Minimum Tax <sup>4</sup>	Tax Before Credits	Non- refundable Tax Credits <sup>5</sup>	Refundable Tax Credits <sup>5</sup>	Total Tax Due: 0.26% Tax and Minimum Tax
Less than \$1,000,000	108,901	\$36,059,348	\$35,551,808	\$507,540	\$1,320	\$16,335	\$17,655	\$0	\$2,213	\$15,441
\$1,000,000 - \$1,999,999	18,662	26,585,915	18,425,730	8,160,185	21,216	2,799	24,016	23	753	23,240
\$2,000,000 - \$2,999,999	7,812	19,050,137	7,770,844	11,329,293	29,456	1,172	30,628	51	3,085	27,492
\$3,000,000 - \$3,999,999	4,149	14,342,804	4,083,887	10,258,917	26,673	622	27,296	38	21	27,237
\$4,000,000 - \$4,999,999	2,564	11,475,694	2,514,495	8,961,199	23,299	385	23,684	32	15	23,637
\$5,000,000 - \$9,999,999	5,511	38,577,840	5,420,438	33,157,402	86,209	827	87,036	154	884	85,998
\$10,000,000 - \$24,999,999	3,742	57,510,311	3,684,555	53,825,757	139,947	561	140,508	718	2,253	137,538
\$25,000,000 - \$49,999,999	1,470	50,997,765	1,456,284	49,541,481	128,808	221	129,028	842	2,255	125,932
\$50,000,000 - \$99,999,999	778	54,354,450	773,271	53,581,179	139,311	117	139,428	2,051	12,539	124,838
\$100,000,000 - \$499,999,999	680	143,482,986	701,167	142,781,819	371,233	102	371,335	6,638	11,290	353,407
\$500,000,000 - \$999,999,999	72	48,379,411	72,000	48,307,411	125,599	11	125,610	1,406	3,532	120,671
\$1 billion and above	58	149,045,994	58,000	148,987,994	387,369	9	387,377	17,236	12,160	357,981
<b>TOTAL</b>	<b>154,399</b>	<b>\$649,862,655</b>	<b>\$80,462,479</b>	<b>\$569,400,176</b>	<b>\$1,480,440</b>	<b>\$23,160</b>	<b>\$1,503,600</b>	<b>\$29,189</b>	<b>\$50,999</b>	<b>\$1,423,412</b>

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2011. 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 2010, November 2010, February 2011 and May 2011 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 2011. For example, a taxpayer whose taxable gross receipts were \$5 million, \$6 million, \$4 million, and \$7 million, on returns filed in August 2010, November 2010, February 2011 and May 2011, respectively, would have total fiscal year 2011 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.



## 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 2011 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 2011, the corporation franchise tax generated about \$237.2 million in total revenue. The tables in this chapter provide data from reports due and filed in 2010.

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 \$175.6 million for the 2011 report year.

Of the total tax liability before credits for general corporations, about 72 percent came from taxpayers that paid on a net income basis. Of the general corporation franchise taxpayers, approximately 10 percent paid tax on net income, 22 percent paid tax on net worth, and the remaining 58 percent paid the minimum tax.

Of financial institutions, banks filed 67 percent of all returns and paid 83 percent of the total tax liability. Savings and loans filed 24 percent of returns and paid 17 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;

- 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 members 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 for that calendar year, plus three percentage points, pursuant to R.C. 5703.47.

### 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 58, 129th 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 Dec. 15, 2010 (the effective date of H.B. 495's amendment to R.C. 5701.11) through March 7, 2011 (the effective date of H.B. 58's amendment of R.C. 5701.11).

**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 <sup>2</sup>	=	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 ratio<sup>3</sup> 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 a transferor corporation and includes positive or negative adjustments for related entities and related members.  
 3 A different apportionment formula applies to financial institutions.

**Table 1**

<b>Corporation Franchise Tax Collections Fiscal Years 2007-2011</b>			
<b>Fiscal Year</b>	<b>Gross Tax Collections</b>	<b>Refunds</b>	<b>Net Tax Collections</b>
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
2011	312,516,576	75,311,473	237,205,103

**Table 2**

<b>Corporation Franchise Tax Number of Corporations by Tax Base Tax Year 2011</b>				
<b>Industry</b>	<b>Minimum</b>	<b>Net Worth</b>	<b>Net Income</b>	<b>Total</b>
Finance	241	101	55	397
Insurance	183	40	21	244
Real Estate	87	30	2	119
Rental & Leasing	19	28	8	55
Holding Companies	161	18	11	190
All Other Industries	29	20	6	55
<b>TOTAL</b>	<b>720</b>	<b>237</b>	<b>103</b>	<b>1,060</b>

**Table 3**

<b>Corporation Franchise Tax Number of Corporations by Tax Base and Tax Liability Class: Tax Year 2011</b>				
<b>Tax Liability Class</b>	<b>Number of Corporations by Tax Base</b>			<b>Total</b>
	<b>Minimum</b>	<b>Net Worth</b>	<b>Net Income</b>	
Minimum (\$50 or \$1,000)	720	--	--	720
\$51 - \$1,000	--	49	20	69
\$1,000 - \$5,000	--	71	21	92
5,001 - 10,000	--	36	11	47
10,001 - 25,000	--	27	13	40
25,001 - 50,000	--	13	11	24
50,001 - 100,000	--	17	11	28
100,001 - 500,000	--	24	9	33
500,001 - 1,000,000	--	0	4	4
Over \$1,000,000	--	0	3	3
<b>TOTAL</b>	<b>720</b>	<b>237</b>	<b>103</b>	<b>1,060</b>

**Table 4**

Corporation Franchise Tax Reported Tax Liability by Tax Base and Industry: Tax Year 2011						
Industry	Tax Liability Before Litter Tax and Credits By Tax Base				Total Non-Refundable and Tax Credits	Tax Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total		
Finance	87,100	3,225,516	14,428,517	17,741,133	3,050,672	14,690,461
Insurance	74,700	498,993	581,898	1,155,591	402,604	752,987
Real Estate	11,000	348,127	29,926	389,053	6,560,741	(6,171,688)
Rental & Leasing	7,600	1,003,807	473,701	1,485,108	0	1,485,108
Holding Companies	38,450	452,819	405,145	896,414	222,992	673,422
All Other Industries	12,850	552,360	84,753	649,963	88,495	561,468
<b>TOTAL</b>	<b>\$231,700</b>	<b>\$6,081,622</b>	<b>\$16,003,940</b>	<b>\$22,317,262</b>	<b>\$10,325,504</b>	<b>\$11,991,758</b>

**Table 5**

Corporation Franchise Tax Reported Tax Liability by Tax Base and Tax Liability Class: Tax Year 2011						
Tax Liability Class	Tax Liability Before Litter Tax and Credits By Tax Base				Refundable Tax Credits	Total Non-Refundable and Tax Liability After Tax Credits
	Net Minimum	Net Worth	Income	Total		
Minimum (\$50 or \$1,000)	\$231,700	--	--	\$231,700	\$6,475,819	-\$6,244,119
\$51 - \$1,000	--	\$17,617	\$5,895	23,512	1,009	22,503
\$1,000 - \$5,000	--	168,969	57,899	226,868	3,995	222,873
5,001 - 10,000	--	261,123	76,632	337,755	9,487	328,268
10,001 - 25,000	--	484,405	195,092	679,497	207,292	472,205
25,001 - 50,000	--	454,432	407,103	861,535	352,270	509,265
50,001 - 100,000	--	1,294,581	822,821	2,117,402	239,540	1,877,862
100,001 - 500,000	--	3,400,495	1,569,898	4,970,393	3,036,092	1,934,301
500,001 - 1,000,000	--	0	3,265,813	3,265,813	0	3,265,813
Over \$1,000,000	--	0	9,602,787	9,602,787	0	9,602,787
<b>TOTAL</b>	<b>\$231,700</b>	<b>\$6,081,622</b>	<b>\$16,003,940</b>	<b>\$22,317,262</b>	<b>\$10,325,504</b>	<b>\$11,991,758</b>

Table 6

Tax Liability Class	Number of Corporations By Type				Tax Liability Before Credits By Type				Refundable & Nonrefundable Tax Credits
	Number of Financial Institutions and Reported Tax Liability, by Type of Institution:		Number of Corporations By Type		Number of Financial Institutions and Reported Tax Liability, by Type of Institution:		Number of Corporations By Type		
	Banks	Savings & Loans	Other <sup>1</sup>	Total	Banks	Savings & Loans	Other <sup>1</sup>	Total	
Minimum (\$50 or \$1000)	29	3	18	50	\$14,750	\$1,100	\$8,500	\$24,350	\$0
\$51 - 1,000	1	0	1	2	134	0	465	599	0
1,001 - 2,000	2	3	3	8	2,580	4,913	3,858	11,351	0
2,001 - 3,000	4	0	0	4	10,686	0	0	10,686	0
3,001 - 4,000	4	2	2	8	14,622	6,691	7,011	28,324	0
4,001 - 5,000	3	1	0	4	12,995	4,622	0	17,617	0
5,001 - 10,000	6	2	1	9	43,962	16,790	9,700	70,452	0
10,001 - 15,000	7	2	0	9	84,985	23,742	0	108,727	0
15,001 - 20,000	5	1	2	8	85,095	19,735	32,179	137,009	10,472
20,001 - 25,000	5	0	2	7	112,752	0	46,799	159,551	3,030
25,001 - 30,000	2	1	0	3	55,689	25,454	0	81,143	0
30,001 - 35,000	2	2	0	4	62,437	61,134	0	123,571	3,249
35,001 - 50,000	9	6	0	15	390,568	269,507	0	660,075	15,815
50,001 - 100,000	36	15	2	53	2,722,083	1,203,569	163,469	4,089,121	103,396
100,001 - 200,000	48	22	3	73	6,471,141	3,086,450	468,251	10,031,842	310,858
200,001 - 500,000	54	21	0	75	16,118,477	7,085,962	0	23,204,439	642,799
500,001 - 1,000,000	19	6	0	25	13,039,457	4,133,042	0	17,172,499	69,606
Over \$1,000,000	18	6	0	24	105,696,173	13,938,957	0	119,635,130	8,293,958
<b>TOTAL</b>	<b>254</b>	<b>93</b>	<b>34</b>	<b>381</b>	<b>\$144,944,586</b>	<b>\$29,881,668</b>	<b>\$740,232</b>	<b>\$175,566,486</b>	<b>\$9,453,183</b>

<sup>1</sup> 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 2011 calendar year, tax assessments on dealers in intangibles resulted in collections of approximately \$20.8 million, with approximately \$12.9 million distributed to local governments and \$7.7 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 2011, qualifying dealers generated an additional \$18.5 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)

Effective June 30, 2012 and pursuant to House Bill 153, all tax paid by dealers in intangibles is paid into the state General Revenue Fund.

### 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**

<b>Dealers in Intangibles Taxes Levied, Calendar Years 2007-2011</b>					
<b>Distribution</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Qualifying dealers:</b>	\$12,499,308	\$15,127,427	\$17,203,287	\$18,859,633	\$18,458,581
Other Dealers:					
State Share	\$7,263,155	\$6,947,952	\$7,361,369	\$8,063,613	\$7,378,047
Local Share	<u>\$12,105,259</u>	<u>\$11,579,920</u>	<u>\$12,268,949</u>	<u>\$13,437,874</u>	<u>\$12,296,745</u>
<b>TOTAL</b>	<b>\$31,867,722</b>	<b>\$33,655,299</b>	<b>\$36,833,605</b>	<b>\$40,361,120</b>	<b>\$38,133,373</b>

Table 2

<b>County Share of Intangible Property Taxes Assessed on Dealers in Intangibles, Calendar Year 2011</b>			
<b>County</b>	<b>County Share of Assessed Taxes</b>	<b>County</b>	<b>County Share of Assessed Taxes</b>
ADAMS	\$2,078	LUCAS	337,761
ALLEN	45,478	MADISON	4,144
ASHLAND	2,427	MAHONING	185,605
ASHTABULA	13,085	MARION	29,903
ATHENS	12,065	MEDINA	155,859
AUGLAIZE	13,903	MEIGS	2,135
BELMONT	11,678	MERCER	7,625
BROWN	3,761	MIAMI	23,240
BUTLER	60,763	MONROE	5,034
CARROLL	0	MONTGOMERY	924,316
CHAMPAIGN	6,122	MORGAN	0
CLARK	28,976	MORROW	364
CLERMONT	26,602	MUSKINGUM	53,783
CLINTON	3,973	NOBLE	0
COLUMBIANA	20,509	OTTAWA	3,196
COSHOCTON	9,246	PAULDING	526
CRAWFORD	6,375	PERRY	2,173
CUYAHOGA	4,340,707	PICKAWAY	36,500
DARKE	9,646	PIKE	41,004
DEFIANCE	31,648	PORTAGE	19,735
DELAWARE	134,307	PREBLE	6,169
ERIE	26,352	PUTNAM	1,590
FAIRFIELD	38,601	RICHLAND	68,576
FAYETTE	13,891	ROSS	12,382
FRANKLIN	1,808,221	SANDUSKY	11,693
FULTON	2,750	SCIOTO	18,962
GALLIA	39,280	SENECA	7,391
GEAUGA	5,136	SHELBY	19,296
GREENE	30,266	STARK	257,143
GUERNSEY	11,912	SUMMIT	556,484
HAMILTON	1,898,204	TRUMBULL	45,614
HANCOCK	42,639	TUSCARAWAS	32,199
HARDIN	7,650	UNION	7,477
HARRISON	0	VAN WERT	11,837
HENRY	4,700	VINTON	0
HIGHLAND	4,800	WARREN	242,925
HOCKING	3,840	WASHINGTON	25,085
HOLMES	536	WAYNE	21,638
HURON	6,773	WILLIAMS	4,459
JACKSON	4,566	WOOD	117,285
JEFFERSON	13,864	WYANDOT	1,318
KNOX	11,897	<b>Total Local Revenue</b>	<b>\$12,296,745</b>
LAKE	82,738	(5 mills)	
LAWRENCE	18,942	<b>State General Revenue</b>	<b>\$7,378,047</b>
LICKING	26,277	(3 mills) <sup>1</sup>	
LOGAN	14,670	<b>TOTAL</b>	<b>\$19,674,792</b>
LORAIN	92,465		

1 Does not include \$18,458,581 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 \$374.2 million in revenue for fiscal year 2011. Most of the revenue – about \$302.1 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.

### Repeal of Estate Tax

The Ohio Estate Tax has been repealed for individuals dying on or after January 1, 2013. See House Bill 153, 129th General Assembly. (R.C. 5731.02)

Also, House Bill 153 provides closure of the former Ohio Inheritance Tax, by requiring all claims and inquiries regarding the Inheritance Tax to be submitted to the Department of Taxation prior to January 1, 2013.

## 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.

## 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, and before January 1, 2013 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
\$40,000 to \$100,000	\$800 plus 3% of excess over \$40,000	No tax
\$100,000 to \$200,000	\$2,600 plus 4% of excess over \$100,000	No tax
\$200,000 to \$300,000	\$6,600 plus 5% of excess over \$200,000	No tax
\$300,000 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 and before January 1, 2013, estates with gross values over \$338,333 are required to file an estate tax return. As the Ohio estate tax has been repealed for dates of death on or after January 1, 2013, no return shall be filed for estates of decedents dying on or after January 1, 2013.

## 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**

<b>Estate Tax Collections and Distributions, Fiscal Years 2007 - 2011</b> (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%.			
<b>Fiscal Year</b>	<b>Total Collections</b>	<b>State General Revenue<sup>1</sup></b>	<b>Local Governments<sup>1</sup></b>
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
2011	374.2	72.1	302.1

**Table 2**

<b>Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets, Fiscal Year 2011</b> (resident estates only)					
Data shown here are summarized from returns finalized by the Estate Tax Division in fiscal year 2011. This data differs from Table 3 due to 11 estates, which have a combined tax liability of \$275,745, that are not assigned to a particular county and are missing from Table 3.					
<b>Net Taxable Value</b>	<b>Number of Estates</b>	<b>Aggregate Gross Value</b>	<b>Aggregate Net Taxable Value</b>	<b>Aggregate Tax Liability</b>	
\$338,333 and under	40	\$3,984,031	\$3,175,690	\$69,570	
338,334 - 400,000	1,036	475,437,700	381,097,754	1,848,465	
400,001 - 500,000	1,293	701,646,146	578,880,982	8,484,959	
500,001 - 700,000	1,651	1,098,018,130	973,524,827	26,403,238	
700,001 - 1,000,000	1,199	1,263,870,515	990,590,062	39,006,604	
1,000,001 - 3,000,000	1,393	2,821,583,923	2,153,578,834	115,507,612	
3,000,001 and over	253	3,365,582,222	2,262,685,870	152,034,612	
<b>Total</b>	<b>6,865</b>	<b>\$9,730,122,667</b>	<b>\$7,343,534,019</b>	<b>\$343,355,060</b>	

<sup>1</sup> State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because they are based on the certification of the local share (including fees) from the semi-annual settlements that occur each year. Effective January 1, 2002, the state share is 20% and the local share is 80%.

Table 3

Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate, Fiscal Year 2011 (resident estates only)									
Data shown here are summarized from returns finalized by the Estate Tax Division in fiscal year 2011. This data differs from Table 2 due to 11 estates, which have a combined tax liability of \$275,745, that are not assigned to a particular county and are missing from 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	5	\$4,533,678	\$4,330,811	\$178,080	Logan	20	\$24,200,988	\$20,680,558	\$947,413
Allen	59	102,304,448	91,802,736	4,953,139	Lorain	152	180,064,421	144,684,568	6,344,440
Ashland	33	30,303,470	24,427,642	885,560	Lucas	229	295,705,755	238,257,721	10,984,171
Ashtabula	29	31,549,912	28,318,948	1,258,336	Madison	28	25,676,082	21,562,763	810,369
Athens	17	21,097,775	18,916,017	898,856	Mahoning	140	134,893,184	110,645,876	4,243,786
Auglaize	43	41,876,681	38,050,488	1,593,601	Marion	40	33,457,673	29,251,164	1,049,216
Belmont	44	44,031,488	37,260,306	1,557,201	Medina	69	82,385,076	75,464,567	3,560,440
Brown	17	11,663,234	10,937,002	344,813	Meigs	7	5,531,281	5,337,524	199,950
Butler	191	200,181,669	184,045,545	8,104,447	Mercer	39	43,753,556	36,329,189	1,568,771
Carroll	7	5,835,932	5,567,300	233,725	Miami	67	96,518,148	81,674,900	4,055,814
Champaign	26	22,026,611	20,176,790	762,554	Monroe	2	1,217,220	1,180,923	33,211
Clark	80	109,543,434	82,340,396	3,818,436	Montgomery	369	486,470,160	378,522,242	17,305,813
Clermont	92	95,977,011	88,660,626	3,911,383	Morgan	2	6,340,834	1,433,161	49,814
Clinton	31	24,796,482	21,484,257	728,425	Morrow	8	7,406,570	6,735,629	273,249
Columbiana	38	30,880,943	28,280,777	1,026,678	Muskingum	45	55,600,786	39,364,109	1,631,112
Coshocton	22	22,028,381	18,496,024	747,552	Noble	4	2,476,862	2,255,157	57,596
Crawford	30	24,708,426	19,686,747	628,016	Ottawa	59	46,891,167	40,771,891	1,385,145
Cuyahoga	887	1,892,128,703	1,467,325,721	80,581,881	Paulding	13	15,329,389	9,215,183	319,213
Darke	44	36,549,339	31,854,814	1,131,036	Perry	11	9,549,213	9,276,172	372,284
Defiance	32	28,998,717	27,380,688	1,131,425	Pickaway	32	46,200,783	42,576,531	2,177,286
Delaware	74	108,523,294	71,434,952	3,143,256	Pike	7	7,370,681	7,168,332	326,723
Erie	50	53,426,380	47,297,164	2,079,453	Portage	79	79,800,518	68,188,213	2,840,129
Fairfield	68	64,074,058	54,573,583	2,126,348	Preble	29	37,059,717	34,879,681	1,712,432
Fayette	16	23,435,889	20,508,858	1,033,272	Putnam	27	35,330,822	32,027,192	1,572,702
Franklin	597	800,678,569	608,306,727	27,738,171	Richland	52	48,989,220	44,550,336	1,817,874
Fulton	32	29,114,243	24,859,328	939,149	Ross	33	32,185,824	29,703,433	1,257,822
Gallia	16	294,458,972	17,400,232	818,450	Sandusky	54	45,222,492	42,976,703	1,660,567
Geauga	75	84,173,606	67,711,656	2,879,390	Scioto	25	22,544,264	17,909,873	631,662
Greene	97	139,325,091	104,791,599	4,951,272	Seneca	40	31,806,453	29,576,419	1,074,573
Guernsey	16	13,037,038	12,093,177	464,853	Shelby	34	31,087,013	25,377,463	930,081
Hamilton	733	1,743,147,449	1,073,478,133	56,917,065	Stark	216	236,188,150	197,727,935	8,480,514
Hancock	69	66,417,817	55,111,786	2,130,544	Summit	370	343,403,392	311,212,159	12,608,960
Hardin	26	24,656,009	21,576,889	861,764	Trumbull	86	75,306,703	65,724,979	2,456,843
Harrison	2	1,006,750	731,395	3,284	Tuscarawas	50	47,184,740	42,299,381	1,709,270
Henry	24	15,971,107	14,101,567	391,691	Union	23	20,020,507	16,467,457	578,709
Highland	20	16,446,173	13,125,950	419,813	Van Wert	30	25,746,618	24,085,394	935,466
Hocking	14	8,699,633	8,331,568	234,961	Vinton	2	2,008,488	1,875,317	80,672
Holmes	16	16,472,350	14,026,081	579,566	Warren	97	99,509,980	82,303,335	3,341,090
Huron	36	35,452,405	28,889,075	1,124,522	Washington	36	38,584,279	30,302,033	1,220,658
Jackson	7	6,047,593	5,212,872	189,932	Wayne	67	73,178,063	60,974,792	2,592,420
Jefferson	31	26,333,545	23,803,098	890,984	Williams	28	36,783,281	22,116,723	848,923
Knox	34	25,050,530	23,345,599	784,500	Wood	89	82,944,194	73,002,857	2,885,618
Lake	143	159,898,810	120,975,182	4,926,841	Wyandot	20	19,658,312	18,543,679	800,276
Lawrence	11	7,790,705	7,222,350	251,417					
Licking	90	102,130,883	74,829,680	2,990,594	<b>Total</b>	<b>6,854</b>	<b>\$9,718,368,094</b>	<b>\$7,337,295,648</b>	<b>\$343,079,314</b>



## Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2011, the tax generated close to \$7.7 million in revenue (on \$244.5 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 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

#### 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 <sup>1</sup> on harness races.
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.

Recipient	Source of Receipts	Share of Receipts
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**

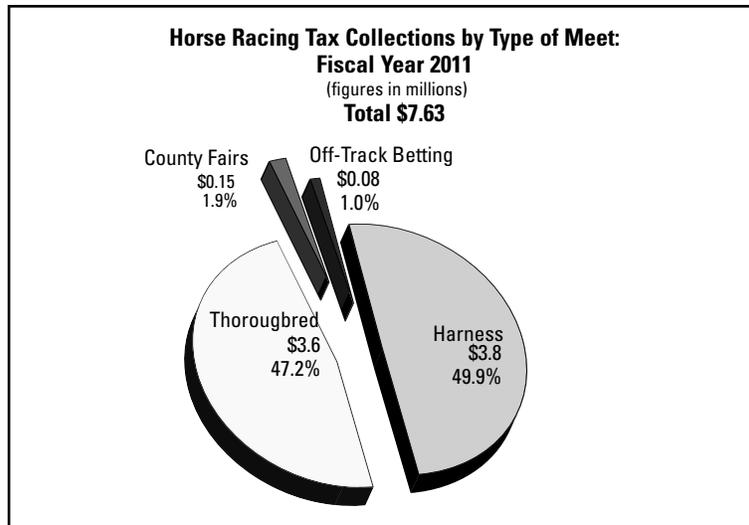
The Department of Taxation administers the taxes on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

**Ohio Revised Code Citations**

Sections 3769.08 and 3769.087.

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

**Chart**



**Table 1**

<b>Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2007 - 2011</b>						
<b>Pari-Mutuel Wagering</b>						
<b>Fiscal Year</b>	<b>Thoroughbred Racing</b>	<b>Commercial Harness Racing</b>	<b>Agricultural Societies Racing</b>	<b>Quarter Horse Racing</b>	<b>Off-Track Parlors</b>	<b>Total</b>
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
2011	113,639,204	123,954,399	3,444,824	87,919	3,366,717	244,493,063
<b>Pari-Mutuel Wagering Net Tax Receipts</b>						
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
2011	3,611,134	3,818,220	147,082	2,331	79,052	7,657,819

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2011						
	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
<b>Number of Meets</b>	893	1,232	139	9		2,273
<b>Total Pari-Mutuel Wagering</b>	\$113,639,204	\$123,954,399	\$3,444,824	\$87,919	\$3,366,717	\$244,493,063
Exotic Wagering <sup>1</sup>	\$77,813,850	\$89,165,015	\$2,131,801	\$60,471	\$2,649,055	\$171,820,192
<b>Total Tax Levied</b>	<b>\$4,140,099</b>	<b>\$4,533,725</b>	<b>\$147,082</b>	<b>\$2,331</b>	<b>\$79,052</b>	<b>\$8,902,289</b>
Less Tax Abatements:						
Capital Improvement		\$179,934				\$179,934
Major Capital	\$528,965	\$535,571				\$1,064,536
<b>Net Tax Collected</b>	<b>\$3,611,134</b>	<b>\$3,818,220</b>	<b>\$147,082</b>	<b>\$2,331</b>	<b>\$79,052</b>	<b>\$7,657,819</b>
Deferred Abatement <sup>2</sup>	\$129,620.74	\$93,747				\$223,368
<b>Distribution of Receipts:</b>						
Agricultural	\$133	\$2,166	\$76,257	\$0		\$78,556
Standardbred Devel. Fund	\$0	\$1,011,420	\$26,619	\$0		\$1,038,039
Quarter Horse Special Acct.	\$25,962	\$0	\$107	\$514		\$26,583
Ohio Fairs Fund	\$599,844	\$526,701	\$22,554	\$434		\$1,149,533
Thoroughbred Special Acct.	\$1,157,559	\$360,508	\$227	\$0		\$1,518,294
Operating Fund	\$922,817	\$921,023	\$21,318	\$694		\$1,865,852
Passport Fund	\$904,819	\$996,402	\$0	\$689	\$79,052	\$1,980,962
<b>Total Amount</b>	<b>\$3,611,134</b>	<b>\$3,818,220</b>	<b>\$147,082</b>	<b>\$2,331</b>	<b>\$79,052</b>	<b>\$7,657,819</b>

Source: Department of Taxation

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 2011, total net collections exceeded \$8.8 billion. Of that amount, more than \$8.1 billion was directed to the General Revenue Fund, where it represented about 42.0 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 also applied to the 2009 and 2010 taxable years. The fifth and final rate reduction was instituted for taxable year 2011. As such, tax rates in 2011 were 21 percent lower across the board than they were for 2004. Withholding tables implemented in January 2009 remain in effect.

During the 2011 taxable year, the income tax included nine brackets ranging from 0.587 percent on the first \$5,100 of taxable income to 5.925 percent on taxable income in excess of \$204,200. 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 2009 Ohio individual income tax returns (filed in 2010). The data shows that more than 5.2 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately \$303.0 billion. Approximately 1.3 million returns indicated no tax liability.

### Taxpayer

(Ohio Revised Code 5747.01(N) and 5747.02)

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 and casino gaming winnings.

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:

1. Calculate Ohio adjusted gross income by applying Ohio additions and deductions to federal adjusted gross income as reported on the federal form 1040.
2. Calculate Ohio taxable income by subtracting personal and dependent exemptions from Ohio adjusted gross income. For 2011, each taxpayer received a personal exemption, and an exemption for each dependent of \$1,650.
3. Apply tax rates to Ohio taxable income to calculate gross tax liability.
4. 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 2011 are shown below.

Ohio Taxable Income	2011 Ohio Tax
0 – \$ 5,100	0.587%
\$ 5,101 – \$ 10,200	\$29.94, plus 1.174% of excess over \$5,100
\$ 10,201 – \$ 15,350	\$89.81, plus 2.348% of excess over \$10,200
\$ 15,351 – \$ 20,450	\$210.73, plus 2.935% of excess over \$15,350
\$ 20,451 – \$ 40,850	\$360.42, plus 3.521% of excess over \$20,450
\$ 40,851 – \$ 81,650	\$1,078.70, plus 4.109% of excess over \$40,850
\$ 81,651 – \$102,100	\$2,755.17, plus 4.695% of excess over \$81,650
\$102,101 – \$204,200	\$3,715.30, plus 5.451% of excess over \$102,100
\$204,200	\$9,280.77, plus 5.925% of excess over \$204,200

In 2010, the Tax Commissioner began to annually adjust the size of each bracket for inflation each July, per R.C. 5747.02(A). Rates have not and 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 2011, a \$1,650 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 (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.
- amounts received as reimbursements for life insurance premiums.
- amount received as a death benefit paid by the adjutant general.
- military pay received while the resident service member is stationed outside Ohio.
- qualified organ donation expenses.
- retired military personnel pay.
- amount received from the military injury relief fund.
- amount received as a veterans bonus.
- certain losses from certain wagering transactions (effective in tax year 2013).
- certain income derived from providing public services.
- Ohio college opportunity or federal Pell grant amounts received and used to pay room or board.

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

### 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 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 2011, 92.1 percent of revenue from the state income tax – or \$8,120.3 million – was distributed to the General Revenue Fund. The rest was distributed to the Local Government Fund (7.8 percent or \$686.7 million) and to several much smaller funds.

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**

### **Amended House Bill 167, 129th General Assembly (effective December 9, 2011)**

This act authorizes an income tax deduction for the otherwise taxable portion of a federal Pell grant or Ohio College

Opportunity grant used to pay room and board for a post-secondary student.

### **Amended Substitute House Bill 153, 129th General Assembly (effective June 30, 2011)**

This act allows taxpayers to contribute a portion of their income tax refunds to the Ohio Historical Society Income Tax Contribution Fund created by the bill.

### **Amended Substitute House Bill 519, 128th General Assembly (effective September 10, 2010)**

This act specifically subjects Ohio casino winnings to Ohio income tax. It also authorizes an Ohio income tax deduction, beginning in tax year 2013, for certain losses from certain wagering transactions.

### **Amended Substitute House Bill 48, 128th General Assembly (effective July 2, 2010)**

This act creates a deduction from adjusted gross income of Ohio veterans bonus amounts received.

### **Amended Substitute Senate Bill 194, 128th General Assembly (effective May 20, 2010 / August 19, 2010)**

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

### **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 preexisting college savings plan or program account offered by the Ohio tuition trust authority.

### **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

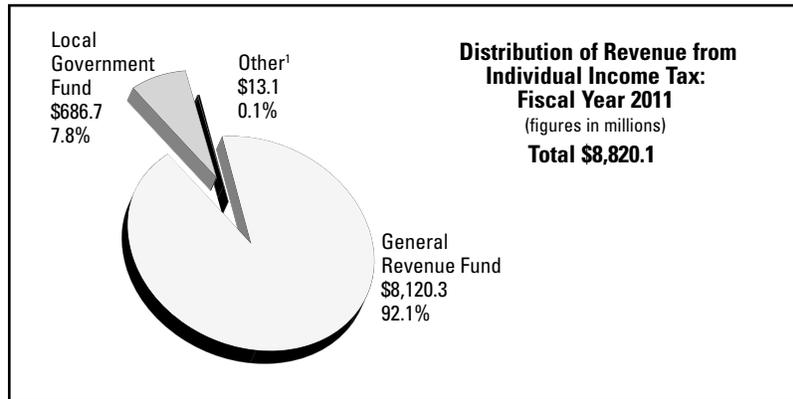
gross income, Ohio adjusted gross income, and Ohio taxable income) include non-Ohio income.

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.

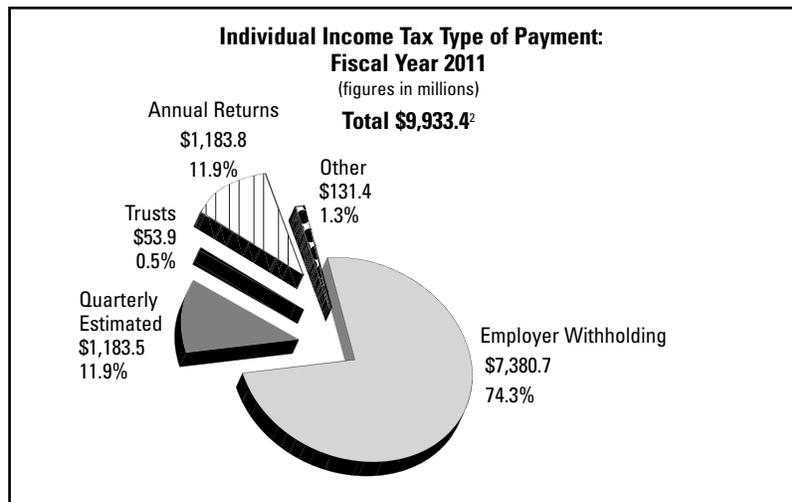
Also, note that the income of residents of states adjacent to Ohio is reported in a somewhat different manner from that

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.

<sup>1</sup> Includes Attorney General collections and political party contributions which amount to \$13.1 million.

<sup>2</sup> Includes \$1,107.7 million refunded back to taxpayers

Chart 3

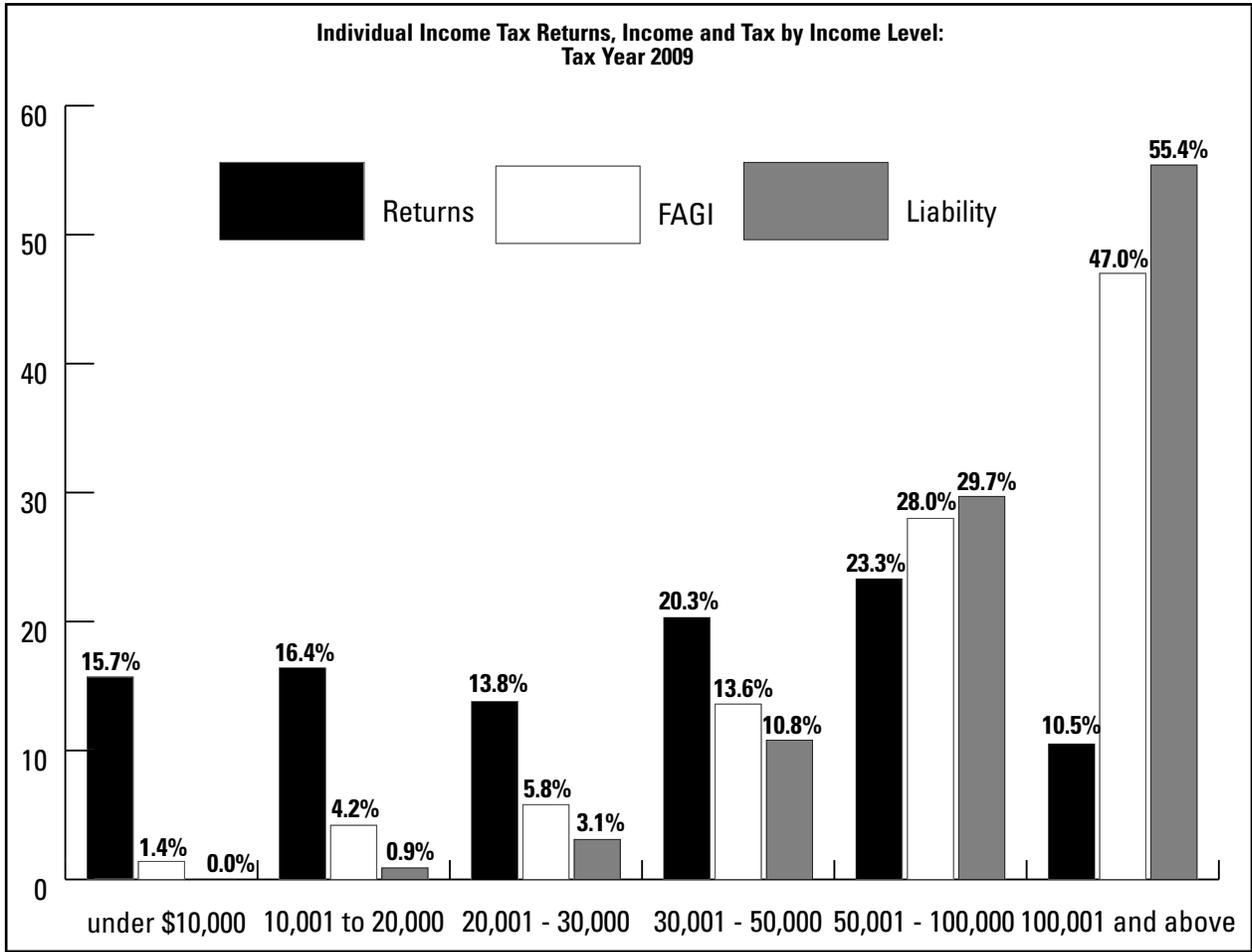


Table 1

2009 Ohio Individual Income Tax Returns, by Income Level <sup>1</sup>										
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 <sup>2</sup>		
Under \$5,000	378,253	\$983,585,877	\$780,858,376	\$730,950,550	\$459,861,439	\$5,431,537	\$9,976	\$1,798,223		
\$5,001 - 10,000	434,946	3,274,138,601	3,014,686,225	977,202,150	2,163,562,361	15,679,522	2,888	161,322		
10,001 - 15,000	440,323	5,499,086,423	5,131,647,922	1,135,367,250	4,088,136,677	41,333,938	27,894	16,943,438		
15,001 - 20,000	408,561	7,134,249,174	6,679,119,646	1,100,007,100	5,654,198,289	81,011,968	297,989	54,438,058		
20,001 - 25,000	372,346	8,362,278,643	7,825,452,046	1,036,855,450	6,848,624,941	124,336,270	999,295	95,310,265		
25,001 - 30,000	339,581	9,328,539,451	8,727,536,120	960,682,250	7,818,039,798	168,176,484	2,136,058	138,463,568		
30,001 - 35,000	309,686	10,050,502,069	9,420,334,413	891,023,700	8,571,019,782	205,755,321	3,253,378	175,868,503		
35,001 - 40,000	277,406	10,390,967,574	9,752,675,273	816,491,950	8,965,925,196	231,560,522	4,846,352	201,250,604		
40,001 - 45,000	247,111	10,489,448,410	9,828,110,706	749,759,800	9,103,236,245	248,221,275	6,839,270	217,721,088		
45,001 - 50,000	215,555	10,228,642,680	9,477,322,694	682,866,450	8,919,178,143	256,483,635	8,932,503	225,680,286		
50,001 - 55,000	193,586	10,154,040,588	9,488,015,993	643,676,250	8,863,355,349	266,503,823	10,927,874	234,232,427		
55,001 - 60,000	169,080	9,713,038,575	9,065,691,590	584,536,000	8,496,739,063	265,007,432	10,166,660	234,641,180		
60,001 - 65,000	150,224	9,381,822,931	8,767,498,154	540,381,150	8,239,565,580	265,031,126	10,989,903	234,711,317		
65,001 - 70,000	134,731	9,088,550,054	8,508,462,702	501,735,000	8,018,429,585	264,728,399	12,284,917	234,098,238		
70,001 - 75,000	122,060	8,844,560,851	8,177,203,985	469,161,750	7,829,209,678	264,183,730	13,508,873	232,965,479		
75,001 - 80,000	109,591	8,487,262,175	7,970,062,623	434,206,150	7,544,498,400	259,447,964	13,476,819	229,024,006		
80,001 - 85,000	97,496	8,038,753,922	7,569,715,586	394,943,100	7,181,086,768	251,226,799	9,383,060	225,692,416		
85,001 - 90,000	86,709	7,582,908,320	7,158,811,910	358,014,350	6,805,116,621	242,656,062	8,270,669	219,015,572		
90,001 - 95,000	76,190	7,043,305,025	6,680,119,909	323,508,250	6,360,760,056	231,499,603	8,031,478	208,932,927		
95,001 - 100,000	66,233	6,454,124,837	6,135,562,681	285,832,400	5,853,167,723	217,061,349	7,511,815	195,898,442		
100,001 - 125,000	220,820	24,500,409,307	23,408,185,337	983,857,850	22,435,177,772	876,417,277	30,216,098	790,380,908		
125,001 - 150,000	107,406	14,630,464,434	14,028,565,993	490,637,000	13,551,831,311	574,958,207	19,717,112	513,175,361		
150,001 - 175,000	61,065	9,853,719,455	9,504,946,680	282,893,600	9,225,021,560	413,780,685	13,996,284	364,801,951		
175,001 - 200,000	35,802	6,678,612,090	6,462,083,874	165,082,750	6,298,612,334	293,646,040	9,490,858	255,298,457		
200,001 - 250,000	40,349	8,953,497,200	8,708,855,296	186,155,000	8,523,826,544	415,696,842	12,756,155	354,013,915		
250,001 - 300,000	20,428	5,570,435,087	5,451,178,279	95,298,650	5,356,663,255	275,078,080	7,388,987	228,762,563		
300,001 - 350,000	12,102	3,911,973,374	3,845,398,795	57,230,650	3,788,451,404	201,298,707	4,260,756	162,684,087		
350,001 - 400,000	8,118	3,033,738,271	2,990,007,228	38,655,450	2,951,665,969	160,645,504	2,760,731	127,213,271		
400,001 - 450,000	5,969	2,531,299,381	2,504,679,646	28,676,550	2,476,608,912	137,223,922	1,925,927	106,846,892		
450,001 - 500,000	4,562	2,163,693,444	2,142,893,844	21,830,200	2,121,084,108	119,112,378	1,508,224	91,002,612		
500,001 - 750,000	12,183	7,346,868,899	7,287,397,783	57,833,600	7,230,209,721	415,827,058	3,820,655	304,635,888		
750,001 - 1,000,000	4,952	4,245,467,098	4,253,062,874	23,146,150	4,230,055,248	249,581,840	1,484,788	160,819,191		
1,000,001 - 1,500,000	3,960	4,778,861,432	4,766,992,801	17,980,000	4,749,031,392	284,841,794	1,088,750	160,995,507		
1,500,001 - 2,000,000	1,831	3,159,969,368	3,149,920,826	8,190,200	3,141,747,902	190,730,867	457,773	92,716,317		
2,000,001 - 3,000,000	1,820	4,425,256,175	4,418,622,254	7,844,550	4,410,864,502	269,965,186	419,250	112,805,936		
3,000,001 - 4,000,000	875	3,027,597,603	3,008,153,236	3,842,450	3,007,290,879	185,117,786	182,000	62,906,424		
4,000,001 - 5,000,000	567	2,519,987,955	2,512,379,579	2,484,650	2,509,922,058	154,979,643	111,800	51,842,017		
5,000,001 - 10,000,000	1,000	6,903,139,143	6,921,831,245	4,445,400	6,917,447,436	428,745,324	178,750	107,544,388		
Over \$10,000,000	798	24,259,074,760	24,114,796,127	3,611,500	24,111,249,369	1,502,225,328	140,400	143,895,938		
	<b>5,174,275</b>	<b>\$303,023,870,656</b>	<b>\$289,638,840,252</b>	<b>\$16,096,897,250</b>	<b>\$274,820,473,368</b>	<b>\$11,055,209,227</b>	<b>\$243,802,968</b>	<b>\$7,569,188,981</b>		

1 As reported on returns due April 15, 2010.

2 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 \$2.9 billion.

Table 2

Income Level (Federal Adjusted Gross Income)	Comparison of 2008 and 2009 Individual Income Tax Returns									
	Number of Returns		Federal Adjusted Gross Income		Ohio Taxable Income		Joint Filer Credit		Ohio Income Tax	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Under \$5,000	425,081	378,253	\$1,105,469,314	\$983,585,877	\$528,017,334	\$459,861,439	\$11,835	\$9,976	\$1,458,888	\$1,798,223
\$5,000 - \$10,000	445,098	434,946	3,323,615,680	3,274,138,601	2,268,939,538	2,163,562,361	3,126	2,888	223,958	161,322
\$10,001 - \$15,000	429,921	440,323	5,372,208,267	5,499,086,423	4,080,050,401	4,088,136,677	30,240	27,894	17,681,757	16,943,438
\$15,001 - \$20,000	408,594	408,561	7,138,855,322	7,134,249,174	5,760,811,118	5,654,198,289	299,124	297,989	56,587,805	54,438,058
\$20,001 - \$40,000	1,344,980	1,299,019	39,555,826,238	38,132,287,737	33,912,430,851	32,203,609,717	10,845,013	11,235,082	652,597,124	610,892,939
\$40,001 - \$80,000	1,404,208	1,341,938	80,062,099,722	76,387,366,264	70,794,411,381	67,014,212,042	89,417,130	87,126,819	1,956,913,620	1,843,074,019
\$80,001 - \$100,000	347,720	326,628	30,997,452,344	29,119,092,104	28,094,082,105	26,200,131,167	35,312,645	33,197,021	913,562,092	849,539,358
\$100,001 - \$200,000	437,314	425,093	57,143,525,937	55,663,205,286	53,125,955,513	51,510,642,978	74,831,616	73,420,353	1,981,216,558	1,923,656,677
\$200,000 & above	132,365	119,514	105,735,062,834	86,830,859,190	104,570,963,222	85,526,118,699	42,780,991	38,484,946	2,765,882,803	2,268,684,947
	<b>5,375,281</b>	<b>5,174,275</b>	<b>\$330,434,115,659</b>	<b>\$303,023,870,656</b>	<b>\$303,135,661,462</b>	<b>\$274,820,473,368</b>	<b>\$253,531,721</b>	<b>\$243,802,968</b>	<b>\$8,346,124,605</b>	<b>\$7,569,188,981</b>

Table 3

Income Level	Number of Returns with Tax Liability		Ohio Income Tax	
	2008	2009	2008	2009
Under \$5,000	592	350	\$1,458,888	\$1,798,223
\$5,001 - \$10,000	663	375	223,958	161,322
\$10,001 - \$15,000	168,976	162,794	17,681,757	16,943,438
\$15,001 - \$20,000	318,091	311,223	56,587,805	54,438,058
\$20,001 - \$40,000	1,269,941	1,213,662	652,597,124	610,892,939
\$40,001 - \$80,000	1,374,524	1,310,415	1,956,913,620	1,843,074,019
\$80,001 - \$100,000	342,079	320,702	913,562,092	849,539,358
\$100,001 - \$200,000	429,150	416,336	1,981,216,558	1,923,656,677
\$200,000 & above	126,299	113,698	2,765,882,803	2,268,684,947
	<b>4,030,315</b>	<b>3,849,555</b>	<b>\$8,346,124,605</b>	<b>\$7,569,188,981</b>

Table 4

2009 All Ohio Individual Income Tax Returns						
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate <sup>1</sup>
Under \$5,000	378,253	\$983,585,877	\$459,861,439	\$9,976	\$1,798,223	0.18%
5,001 - 10,000	434,946	3,274,138,601	2,163,562,361	2,888	161,322	0.00%
10,001 - 15,000	440,323	5,499,086,423	4,088,136,677	27,894	16,943,438	0.31%
15,001 - 20,000	408,561	7,134,249,174	5,654,198,289	297,989	54,438,058	0.76%
20,001 - 40,000	1,299,019	38,132,287,737	32,203,609,717	11,235,082	610,892,939	1.60%
40,001 - 80,000	1,341,938	76,387,366,264	67,014,212,042	87,126,819	1,843,074,019	2.41%
80,001 - 100,000	326,628	29,119,092,104	26,200,131,167	33,197,021	849,539,358	2.92%
100,001 - 200,000	425,093	55,663,205,286	51,510,642,978	73,420,353	1,923,656,677	3.46%
\$200,000 & above	119,514	86,830,859,190	85,526,118,699	38,484,946	2,268,684,947	2.61%
	<b>5,174,275</b>	<b>\$303,023,870,656</b>	<b>\$274,820,473,368</b>	<b>\$243,802,968</b>	<b>\$7,569,188,981</b>	<b>2.50%</b>

Table 5

2009 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 <sup>1</sup>
Under \$5,000	23,053	\$38,954,612	\$34,582,263	\$857,501	2.20%
\$5,001 - \$10,000	40,485	313,678,962	112,528,512	64,002	0.02%
\$10,001 - \$15,000	65,748	832,131,098	462,750,269	450,562	0.05%
\$15,001 - \$20,000	81,215	1,424,145,057	937,608,544	3,755,980	0.26%
\$20,001 - \$40,000	339,694	10,231,014,109	7,660,213,893	110,976,304	1.08%
\$40,001 - \$80,000	686,365	40,910,234,542	34,616,974,097	902,010,173	2.20%
\$80,001 - \$100,000	255,819	22,856,703,935	20,373,155,396	651,874,663	2.85%
\$100,001 - \$200,000	359,657	47,238,829,996	43,571,715,551	1,620,256,236	3.43%
\$200,000 & above	102,398	70,763,276,469	69,618,343,717	1,945,729,031	2.75%
	<b>1,954,434</b>	<b>\$194,608,968,780</b>	<b>\$177,387,872,242</b>	<b>\$5,235,974,452</b>	<b>2.69%</b>

Table 6

2009 Ohio Individual Income Tax Returns Claiming Single Filing Status					
Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate <sup>1</sup>
Under \$5,000	350,346	\$932,495,422	\$413,244,853	\$666,930	0.07%
5,001 - \$10,000	387,011	2,903,379,958	2,012,439,876	89,197	0.00%
10,001 - \$15,000	363,864	4,531,376,914	3,519,138,012	15,816,690	0.35%
15,001 - \$20,000	308,400	5,374,423,192	4,432,793,848	47,038,431	0.88%
20,001 - \$40,000	829,436	23,923,947,716	20,988,412,530	422,204,293	1.76%
40,001 - \$80,000	503,415	27,163,948,359	24,665,984,822	710,465,937	2.62%
80,001 - \$100,000	50,560	4,471,379,378	4,116,129,615	137,279,270	3.07%
100,001 - \$200,000	47,410	6,133,962,347	5,732,711,592	214,394,181	3.50%
\$200,000 & above	13,709	12,394,194,457	12,242,123,433	260,374,092	2.10%
	<b>2,854,151</b>	<b>\$87,829,107,742</b>	<b>\$78,122,978,579</b>	<b>\$1,808,329,020</b>	<b>2.06%</b>

<sup>1</sup> 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

2009 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 <sup>1</sup>
Under \$5,000	4,854	\$12,135,843	\$12,034,323	\$273,792	2.26%
5,001 - 10,000	7,450	57,079,681	38,593,973	8,123	0.01%
10,001 - 15,000	10,711	135,578,411	106,248,396	676,187	0.50%
15,001 - 20,000	18,946	335,680,925	283,795,897	3,643,648	1.09%
20,001 - 40,000	129,889	3,977,325,913	3,554,983,295	77,712,341	1.95%
40,001 - 80,000	152,158	8,313,183,363	7,731,253,123	230,597,910	2.77%
80,001 - 100,000	20,249	1,791,008,791	1,710,846,156	60,385,425	3.37%
100,001 - 200,000	18,026	2,290,412,943	2,206,215,835	89,006,260	3.89%
\$200,000 & above	3,407	3,673,388,264	3,665,651,549	62,581,824	1.70%
	<b>365,690</b>	<b>\$20,585,794,134</b>	<b>\$19,309,622,546</b>	<b>\$524,885,509</b>	<b>2.55%</b>

Table 8

2009 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	378,253	\$9,431,760	\$9,976	\$1,798,223
5,001 - 10,000	434,946	12,609,080	2,888	161,322
10,001 - 15,000	440,323	14,649,900	27,894	16,943,438
15,001 - 20,000	408,561	14,193,640	297,989	54,438,058
20,001 - 40,000	1,299,019	47,807,140	11,235,082	610,892,939
40,001 - 80,000	1,341,938	59,436,420	87,126,819	1,843,074,019
80,001 - 100,000	326,628	17,578,040	33,197,021	849,539,358
100,001 - 200,000	425,093	24,806,080	73,420,353	1,923,656,677
\$200,000 & above	119,514	7,190,000	38,484,946	2,268,684,947
	<b>5,174,275</b>	<b>\$207,702,060</b>	<b>\$243,802,968</b>	<b>\$7,569,188,981</b>

<sup>1</sup> 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

2009 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 <sup>1</sup>	
Under \$5,000	47	-\$3,604,941	\$6,092,057	\$230,553	n/a	
5,001 - 10,000	31	235,145	1,080,329	26,502	n/a	
10,001 - 15,000	1,851	26,060,056	21,031,998	115,555	0.44%	
15,001 - 20,000	13,104	234,447,453	178,742,974	1,193,590	0.51%	
20,001 - 40,000	152,227	4,773,000,085	3,851,546,927	56,363,741	1.18%	
40,001 - 80,000	492,451	29,795,810,187	25,996,565,094	671,852,511	2.25%	
80,001 - 100,000	209,120	18,697,203,230	16,996,511,771	545,034,963	2.92%	
100,001 - 200,000	291,123	38,027,918,948	35,537,182,051	1,324,000,636	3.48%	
\$200,000 & above	64,869	35,207,118,354	34,630,608,630	1,153,215,416	3.28%	
	<b>1,224,823</b>	<b>\$126,758,188,517</b>	<b>\$117,219,361,831.7</b>	<b>\$3,752,033,466.4</b>	<b>2.96%</b>	

Table 10

2009 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 <sup>2</sup>	Ohio Income Tax
Under \$5,000	32,255	\$73,651,746	\$32,257,037	\$1,612,686	\$1,076,555	\$454,819
5,001 - 10,000	56,508	436,503,297	233,324,262	2,825,345	4,880,248	31,191
10,001 - 15,000	83,876	1,053,440,038	701,063,651	4,193,745	10,891,475	357,883
15,001 - 20,000	77,652	1,350,127,681	957,975,564	3,882,410	11,252,744	1,655,909
20,001 - 40,000	196,413	5,689,924,145	3,941,476,641	9,820,377	29,869,033	36,895,776
40,001 - 80,000	188,819	10,750,237,981	7,379,540,836	9,440,658	28,707,335	157,115,605
80,001 - 100,000	43,112	3,836,105,393	2,769,578,326	2,155,525	6,342,655	77,457,747
100,001 - 200,000	51,602	6,795,745,362	5,406,023,254	2,579,952	6,922,633	186,082,331
\$200,000 & above	17,603	18,189,385,722	17,689,581,127	880,150	1,587,190	357,016,405
	<b>747,840</b>	<b>\$48,175,121,365</b>	<b>\$39,110,820,698</b>	<b>\$37,390,848</b>	<b>\$101,529,868</b>	<b>\$817,067,666</b>

<sup>1</sup> 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.

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

Table 11

2009 Ohio Individual Income Tax Returns: By County							
County	Number of Returns	FAGI	Ohio Income Tax	County	Number of Returns	FAGI	Ohio Income Tax
ADAMS	10,803	\$395,690,767	\$9,036,440	LORAIN	133,288	\$6,441,538,499	\$180,541,949
ALLEN	45,466	2,019,764,549	55,136,674	LUCAS	181,916	8,730,303,746	252,462,885
ASHLAND	22,887	929,550,161	23,123,168	MADISON	17,439	852,612,869	24,382,841
ASHTABULA	42,146	1,622,921,665	39,082,497	MAHONING	102,489	4,508,268,839	123,137,389
ATHENS	21,219	868,460,222	22,401,133	MARION	26,241	1,082,569,523	27,712,620
AUGLAIZE	20,890	953,941,212	25,787,513	MEDINA	80,589	4,655,952,102	143,460,541
BELMONT	29,210	1,205,576,598	30,326,621	MEIGS	8,657	329,310,248	7,601,835
BROWN	17,857	735,609,209	17,573,292	MERCER	19,443	867,003,192	24,291,013
BUTLER	157,246	8,418,950,530	247,417,149	MIAMI	46,537	2,192,750,784	60,540,440
CARROLL	12,102	468,417,263	11,132,569	MONROE	6,256	235,025,025	5,420,558
CHAMPAIGN	16,695	715,000,073	18,271,207	MONTGOMERY	231,163	11,105,583,314	309,114,766
CLARK	58,954	2,553,232,689	66,091,839	MORGAN	5,422	189,485,019	4,167,666
CLERMONT	86,689	4,698,102,361	140,156,446	MORROW	13,940	581,367,950	14,482,283
CLINTON	18,799	878,711,252	22,877,047	MUSKINGUM	36,328	1,461,556,004	38,108,270
COLUMBIANA	44,693	1,756,360,336	42,663,925	NOBLE	5,131	189,366,739	4,328,238
COSHOCTON	15,153	575,257,487	13,950,647	OTTAWA	20,041	938,848,807	25,189,410
CRAWFORD	19,718	735,048,742	17,241,966	PAULDING	8,446	343,082,709	8,405,536
CUYAHOGA	562,591	29,320,746,515	898,301,202	PERRY	13,942	536,460,005	12,869,932
DARKE	23,914	958,599,109	24,198,287	PICKAWAY	22,257	1,032,960,013	27,697,369
DEFIANCE	17,722	781,915,064	20,502,732	PIKE	11,034	419,149,207	9,866,441
DELAWARE	75,555	6,538,752,447	242,797,048	PORTAGE	69,095	3,276,861,256	91,388,575
ERIE	35,575	1,592,244,671	43,122,287	PREBLE	17,597	730,373,106	17,895,949
FAIRFIELD	62,541	3,288,642,409	95,437,137	PUTNAM	16,183	754,854,122	20,774,325
FAYETTE	12,342	487,667,097	12,234,306	RICHLAND	52,984	2,178,967,093	55,453,764
FRANKLIN	518,995	27,301,080,152	830,815,112	ROSS	30,953	1,338,965,477	36,195,891
FULTON	19,482	857,547,498	22,070,704	SANDUSKY	28,426	1,148,295,279	28,661,800
GALLIA	11,672	504,677,733	13,722,933	SCIOTO	26,767	1,109,067,519	27,775,693
GEAUGA	42,739	2,971,265,338	102,393,148	SENECA	25,206	976,781,828	23,796,973
GREENE	68,574	3,952,959,800	112,904,190	SHELBY	22,068	966,068,993	25,940,504
GUERNSEY	16,502	618,433,465	14,892,207	STARK	166,644	7,677,039,247	215,019,178
HAMILTON	359,370	21,213,581,545	697,428,684	SUMMIT	242,581	12,825,781,153	394,313,863
HANCOCK	32,722	1,606,631,507	46,083,494	TRUMBULL	93,527	3,816,627,241	94,396,002
HARDIN	12,580	489,988,378	11,727,770	TUSCARAWAS	41,684	1,668,980,947	42,103,947
HARRISON	6,258	230,589,777	5,344,777	UNION	21,232	1,229,176,570	37,664,827
HENRY	12,788	553,964,264	14,097,337	VAN WERT	13,133	529,136,292	12,938,670
HIGHLAND	17,118	649,817,492	15,538,837	VINTON	4,405	157,154,939	3,566,439
HOCKING	11,623	444,588,148	10,566,471	WARREN	92,072	6,339,131,260	210,421,871
HOLMES	14,313	563,082,132	14,248,710	WASHINGTON	26,321	1,119,108,831	28,149,400
HURON	27,418	1,097,698,638	27,237,177	WAYNE	50,026	2,192,790,817	58,494,998
JACKSON	12,920	496,179,701	11,815,934	WILLIAMS	17,033	671,068,281	16,552,572
JEFFERSON	28,857	1,173,207,493	28,458,270	WOOD	55,006	2,919,492,462	87,038,485
KNOX	24,686	1,111,432,871	30,085,329	WYANDOT	10,349	411,584,371	10,354,163
LAKE	111,903	5,576,868,662	159,628,306				
LAWRENCE	24,444	1,010,333,447	25,012,760	<b>COUNTY TOTAL</b>	<b>5,013,009</b>	<b>250,197,590,123</b>	<b>7,303,694,405</b>
LICKING	72,905	3,638,102,950	104,175,583				
LOGAN	20,522	905,895,028	23,903,666	<b>OTHER<sup>1</sup></b>	<b>161,266</b>	<b>52,826,280,533</b>	<b>265,494,577</b>
				<b>STATE TOTAL</b>	<b>5,174,275</b>	<b>\$303,023,870,656</b>	<b>\$7,569,188,981</b>

1 Includes non-resident returns.

Table 12

Rank of Counties By Average Income As Reported on 2009 Ohio Individual Income Tax Returns							
County	FAGI	Percentage of State Average	Rank	County	FAGI	Percentage of State Average	Rank
ADAMS	\$36,628	73.4%	86	LOGAN	\$44,143	88.4%	33
ALLEN	44,424	89.0%	32	LORAIN	48,328	96.8%	18
ASHLAND	40,615	81.4%	58	LUCAS	47,991	96.2%	20
ASHTABULA	38,507	77.2%	73	MADISON	48,891	98.0%	17
ATHENS	40,928	82.0%	54	MAHONING	43,988	88.1%	36
AUGLAIZE	45,665	91.5%	28	MARION	41,255	82.7%	51
BELMONT	41,273	82.7%	50	MEDINA	57,774	115.8%	6
BROWN	41,194	82.5%	52	MEIGS	38,040	76.2%	77
BUTLER	53,540	107.3%	9	MERCER	44,592	89.3%	31
CARROLL	38,706	77.6%	72	MIAMI	47,118	94.4%	22
CHAMPAIGN	42,827	85.8%	43	MONROE	37,568	75.3%	81
CLARK	43,309	86.8%	40	MONTGOMERY	48,042	96.3%	19
CLERMONT	54,195	108.6%	8	MORGAN	34,947	70.0%	88
CLINTON	46,742	93.7%	24	MORROW	41,705	83.6%	47
COLUMBIANA	39,298	78.7%	69	MUSKINGUM	40,232	80.6%	61
COSHOCTON	37,963	76.1%	79	NOBLE	36,906	73.9%	84
CRAWFORD	37,278	74.7%	83	OTTAWA	46,846	93.9%	23
CUYAHOGA	52,117	104.4%	14	PAULDING	40,621	81.4%	57
DARKE	40,085	80.3%	62	PERRY	38,478	77.1%	74
DEFIANCE	44,121	88.4%	34	PICKAWAY	46,411	93.0%	26
DELAWARE	86,543	173.4%	1	PIKE	37,987	76.1%	78
ERIE	44,757	89.7%	30	PORTAGE	47,425	95.0%	21
FAIRFIELD	52,584	105.4%	13	PREBLE	41,506	83.2%	48
FAYETTE	39,513	79.2%	66	PUTNAM	46,645	93.5%	25
FRANKLIN	52,604	105.4%	12	RICHLAND	41,125	82.4%	53
FULTON	44,017	88.2%	35	ROSS	43,258	86.7%	41
GALLIA	43,238	86.6%	42	SANDUSKY	40,396	80.9%	59
GEAUGA	69,521	139.3%	2	SCIOTO	41,434	83.0%	49
GREENE	57,645	115.5%	7	SENECA	38,752	77.6%	71
GUERNSEY	37,476	75.1%	82	SHELBY	43,777	87.7%	38
HAMILTON	59,030	118.3%	4	STARK	46,069	92.3%	27
HANCOCK	49,099	98.4%	16	SUMMIT	52,872	105.9%	11
HARDIN	38,950	78.0%	70	TUSCARAWAS	40,039	80.2%	63
HENRY	43,319	86.8%	39	UNION	57,893	116.0%	5
HARRISON	36,847	73.8%	85	VAN WERT	40,291	80.7%	60
HIGHLAND	37,961	76.1%	80	VINTON	35,676	71.5%	87
HOCKING	38,251	76.6%	76	WARREN	68,850	137.9%	3
HOLMES	39,341	78.8%	68	WASHINGTON	42,518	85.2%	46
HURON	40,036	80.2%	64	WAYNE	43,833	87.8%	37
JACKSON	38,404	76.9%	75	WILLIAMS	39,398	78.9%	67
JEFFERSON	40,656	81.5%	56	WOOD	53,076	106.3%	10
KNOX	45,023	90.2%	29	WYANDOT	39,770	79.7%	65
LAKE	49,837	99.9%	15				
LAWRENCE	41,333	82.8%	44				
LICKING	49,902	100.0%	45	<b>TOTAL</b>	<b>\$49,910</b>	<b>100.0%</b>	



## Individual Income Tax – School District

**S**chool 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 2011, 181 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 2011, total net collections for all districts were approximately \$320.3 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 \$1,650 for each personal and dependent exemption claimed on the Ohio individual income tax return for 2011. The value of these exemptions is indexed to inflation.

#### "Earned income only" school districts

As of the end of 2011 fiscal year, voters in 30 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 2011, rates ranged from 0.25 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 (typically) 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 typically 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 48 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 85 to 100 days (prior to the date of the election) 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: 2006-2011					
	2006	2007	2008	2009	2010	2011
"Traditional base" districts	152	155	157	153	153	151
"Earned income only" districts	1	9	13	19	25	30
<b>Total districts levying the tax</b>	<b>153</b>	<b>164</b>	<b>170</b>	<b>172</b>	<b>178</b>	<b>181</b>
Individual Returns	\$85,737,114	\$109,112,417	\$115,840,480	\$109,252,212	\$110,540,423	\$120,507,956
Employer Withholding	150,211,785	178,394,566	220,696,342	223,927,682	214,902,468	227,107,845
<b>Total Collections</b>	<b>\$235,948,898</b>	<b>\$287,506,983</b>	<b>\$336,536,822</b>	<b>\$333,179,895</b>	<b>\$325,442,891</b>	<b>\$347,615,801</b>
Refunds and Administration	\$18,218,448	\$20,637,802	\$24,866,366	\$27,588,832	\$28,638,291	\$27,112,439
Interest Earned	1,551,584	2,527,516	2,259,576	1,206,431	438,513	178,906
<b>Net to School Districts</b>	<b>\$219,282,034</b>	<b>\$269,396,698</b>	<b>\$313,930,032</b>	<b>\$306,797,494</b>	<b>\$297,243,112</b>	<b>\$320,682,268</b>



## 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 2011, 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)

Between January 2008 and July 2011, state law required funds to be distributed according to the following schedule:

Fund Percentage for fiscal years 2001 – 2011:	
Fund	Percentage
General Revenue Fund	63%
School District Property Tax Replacement Fund	25.4%
Local Government Property Tax Replacement Fund	11.6%
<b>Total Distribution for fiscal years 2012 and thereafter:</b>	<b>100%</b>
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
<b>Total Distribution</b>	<b>100%</b>

For fiscal years 2012 and thereafter:	
Fund	Percentage
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
<b>Total Distribution</b>	<b>100%</b>

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

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund <sup>1</sup>	Local Government Revenue Assistance Fund	Public Library Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
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
2011	535,988,378	153,874,661	0	0	183,798,018	136,141,048	62,174,652

Source: State of Ohio accounting system.

<sup>1</sup> 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

**A**n 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 2011, the reported net motor fuel tax collections totaled approximately \$1,797 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
<b>Total:</b>	<b>28 cents</b>

### 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 dis-

tributors 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, or local governments;
- the motor fuel was used for cleaning or dyeing;
- the motor fuel was used by local transit systems;<sup>1</sup>
- 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 2011, \$35.7 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 percent of the motor fuel tax re-

ceived 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.<sup>2</sup> 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;<sup>3</sup>
- 25 percent to all counties in equal amounts;<sup>3</sup>
- 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;<sup>3</sup>
- 17.5 percent to all townships in equal amounts;<sup>3</sup>
- 7.5 percent to municipalities in proportion to their motor vehicle registrations.<sup>3</sup>

**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 State Highway Operating Fund.

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

<sup>2</sup> 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).

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

**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 <sup>15</sup>/<sub>17</sub> 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;<sup>1</sup>
- 9.3 percent to all counties in equal amounts;<sup>1</sup>
- 5.0 percent to all townships in equal amounts.<sup>1</sup>

**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 percent 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 2009-10. 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.

**House Bill 114, 129th General Assembly (effective July 1, 2011; certain provisions effective on other dates)**

**Shrinkage allowance** – Section 755.30 extends in the 2012-2013 fiscal biennium the shrinkage allowances that were in place for fiscal years 2008-11. 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 2007-2011			
Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2011	1,814,134,148	16,973,787	1,797,160,361

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

**Table 2**

Taxable Gallons of Motor Vehicle Fuel, Fiscal Years 2007-2011					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Gasoline	5,098,793,739	5,011,225,903	4,947,371,191	4,970,761,774	4,988,781,906
Special Fuels <sup>1</sup>	1,579,493,298	1,568,327,418	1,429,969,330	1,441,256,585	1,491,098,136
<b>Total</b>	<b>6,678,287,037</b>	<b>6,579,553,321</b>	<b>6,377,340,521</b>	<b>6,412,018,359</b>	<b>6,479,880,042</b>

<sup>1</sup> 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 2011									
County	Amount Distributed To:				County	Amount Distributed To:			
	County	Townships	Municipalities	Total		County	Townships	Municipalities	Total
ADAMS	\$2,366,745	\$1,318,336	\$302,431	\$3,987,512	LORAIN	\$2,366,745	\$1,605,846	\$7,534,257	\$11,506,848
ALLEN	2,366,745	1,158,151	1,885,760	5,410,656	LUCAS	2,366,745	1,231,288	10,853,866	14,451,899
ASHLAND	2,366,745	1,318,336	978,592	4,663,673	MADISON	2,366,745	1,230,447	692,114	4,289,306
ASHTABULA	2,366,745	2,380,832	1,736,944	6,484,521	MAHONING	2,366,745	1,656,749	3,329,722	7,353,216
ATHENS	2,366,745	1,242,813	672,683	4,282,241	MARION	2,366,745	1,320,465	1,266,264	4,953,474
AUGLAIZE	2,366,745	1,230,447	1,090,047	4,687,239	MEDINA	2,366,745	1,574,622	3,023,286	6,964,653
BELMONT	2,366,745	1,440,750	1,175,987	4,983,482	MEIGS	2,366,745	1,055,239	225,165	3,647,149
BROWN	2,366,745	1,406,356	499,636	4,272,737	MERCER	2,366,745	1,230,447	838,939	4,436,131
BUTLER	2,366,745	1,740,156	6,195,963	10,302,864	MIAMI	2,366,745	1,061,724	2,438,060	5,866,529
CARROLL	2,366,745	1,239,374	208,155	3,814,274	MONROE	2,366,745	1,582,004	158,225	4,106,973
CHAMPAIGN	2,366,745	1,054,669	616,469	4,037,882	MONTGOMERY	2,366,745	1,167,455	14,058,832	17,593,032
CLARK	2,366,745	1,041,099	2,239,633	5,647,476	MORGAN	2,366,745	1,230,447	118,419	3,715,611
CLERMONT	2,366,745	1,782,861	833,965	4,983,571	MORROW	2,366,745	1,406,225	262,259	4,035,230
CLINTON	2,366,745	1,142,558	726,426	4,235,729	MUSKINGUM	2,366,745	2,232,862	1,142,237	5,741,843
COLUMBIANA	2,366,745	1,640,156	1,633,959	5,640,860	NOBLE	2,366,745	1,318,336	108,713	3,793,794
COSHOCTON	2,366,745	1,933,560	550,219	4,850,524	OTTAWA	2,366,745	1,054,669	610,874	4,032,288
CRAWFORD	2,366,745	1,406,225	1,015,890	4,788,861	PAULDING	2,366,745	1,054,669	313,405	3,734,819
CUYAHOGA	2,366,745	191,606	36,914,073	39,472,423	PERRY	2,366,745	1,230,447	434,654	4,031,846
DARKE	2,366,745	1,766,972	969,516	5,103,233	PICKAWAY	2,366,745	1,318,336	808,766	4,493,847
DEFIANCE	2,366,745	1,054,669	743,116	4,164,530	PIKE	2,366,745	1,230,447	240,119	3,837,311
DELAWARE	2,366,745	1,821,565	1,738,423	5,926,732	PORTAGE	2,366,745	1,630,476	2,424,281	6,421,502
ERIE	2,366,745	824,886	1,727,355	4,918,986	PREBLE	2,366,745	1,054,669	700,933	4,122,347
FAIRFIELD	2,366,745	1,299,977	2,235,762	5,902,484	PUTNAM	2,366,745	1,318,336	666,006	4,351,087
FAYETTE	2,366,745	878,891	538,225	3,783,861	RICHLAND	2,366,745	1,644,554	2,553,550	6,564,848
FRANKLIN	2,366,745	1,600,713	35,590,322	39,557,780	ROSS	2,366,745	1,439,727	985,219	4,791,691
FULTON	2,366,745	1,066,310	806,102	4,239,157	SANDUSKY	2,366,745	1,066,904	1,050,938	4,484,586
GALLIA	2,366,745	1,320,090	205,374	3,892,208	SCIOTO	2,366,745	1,439,796	811,029	4,617,570
GEAUGA	2,366,745	1,547,516	502,075	4,416,336	SENECA	2,366,745	1,318,336	1,212,739	4,897,820
GREENE	2,366,745	1,082,349	4,074,564	7,523,658	SHELBY	2,366,745	1,230,447	1,084,819	4,682,011
GUERNSEY	2,366,745	1,670,741	547,239	4,584,725	STARK	2,366,745	2,392,546	5,663,995	10,423,287
HAMILTON	2,366,745	2,049,955	16,273,644	20,690,344	SUMMIT	2,366,745	980,933	15,012,945	18,360,622
HANCOCK	2,366,745	1,507,521	1,790,710	5,664,976	TRUMBULL	2,366,745	2,305,836	3,429,653	8,102,234
HARDIN	2,366,745	1,318,336	556,392	4,241,473	TUSCARAWAS	2,366,745	1,941,479	2,065,071	6,373,295
HARRISON	2,366,745	1,318,336	277,835	3,962,916	UNION	2,366,745	1,230,666	805,032	4,402,443
HENRY	2,366,745	1,142,558	562,680	4,071,983	VAN WERT	2,366,745	1,054,669	522,608	3,944,022
HIGHLAND	2,366,745	1,498,933	485,017	4,350,695	VINTON	2,366,745	1,054,669	117,852	3,539,266
HOCKING	2,366,745	977,023	285,932	3,629,699	WARREN	2,366,745	1,304,268	3,314,884	6,985,897
HOLMES	2,366,745	1,230,447	186,084	3,783,276	WASHINGTON	2,366,745	1,944,088	891,192	5,202,025
HURON	2,366,745	1,669,893	1,379,951	5,416,589	WAYNE	2,366,745	1,427,936	1,966,977	5,761,657
JACKSON	2,366,745	1,054,669	498,453	3,919,866	WILLIAMS	2,366,745	1,054,669	755,922	4,177,336
JEFFERSON	2,366,745	1,248,777	1,311,264	4,926,786	WOOD	2,366,745	1,754,422	2,623,738	6,744,905
KNOX	2,366,745	1,944,936	725,877	5,037,557	WYANDOT	<u>2,366,745</u>	<u>1,142,558</u>	<u>516,633</u>	<u>4,025,935</u>
LAKE	2,366,745	592,009	6,137,863	9,096,617					
LAWRENCE	2,366,745	1,275,788	739,872	4,382,404					
LICKING	2,366,745	2,243,673	3,202,968	7,813,386	<b>TOTAL</b>	<b>\$208,273,537</b>	<b>\$121,696,716</b>	<b>\$241,806,091</b>	<b>\$571,776,345</b>
LOGAN	2,366,745	1,496,183	802,450	4,665,378					

Source: Records of the Department of Taxation.



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

**T**he 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 pursuant to 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 \$19.3 million in revenue in calendar year 2011 on returns filed for taxable year 2010, 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 Ohio Municipal Income Tax Instructions for Electric Light Companies and Local Exchange Telephone Companies 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 in-

come 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. 5745.03(E), R.C. 718.02)) – A municipality that has enacted a Chapter 718 municipal income tax cannot require a Chapter 5745 municipal income taxpayer to file a Chapter 718 municipal income tax return for that municipality. The Chapter 718 municipal income tax does not apply to taxpayers that are required to file to Chapter 5745 municipal income tax. 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 58, 129th 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 December 15, 2010 (the effective date of H.B. 495's amendment to R.C. 11) through March 7, 2011 (the effective date of H.B. 58's amendment of R.C. 5701.11).

**Table**

<b>Revenue from Municipal Income Tax For                      Electric Light Companies and Telephone Companies:                      Calendar Years                      2007 - 2011</b> (figures in millions)			
<b>Calendar Year</b>	<b>Distribution to Municipalities</b>	<b>Municipal Income Tax Administration Fund</b>	<b>Total</b>
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
2011	19.0	0.3	19.3



## 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 2011, the tax generated approximately \$67.1 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)

(R.C. 5727.84 – R.C. 5727.85)

For fiscal years prior to fiscal year 2012, 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. For fiscal years 2012 and thereafter, the General Revenue Fund receives 100 percent of revenue. 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**

<b>Natural Gas Distribution Tax Collections and Distributions: Fiscal Years 2007 - 2011</b>			
<b>Fiscal Year</b>	<b>Total Collections</b>	<b>School District Property Tax Replacement Fund</b>	<b>Local Government Property Tax Replacement Fund</b>
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
2011	67,141,739	46,126,375	21,015,364



## 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 2010. During taxable year 2010, 11,467 pass-through entity taxpayers filed returns on form IT 1140. The total taxable year 2010 pass-through entity tax liability was \$126.2 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 \$114.5 million during fiscal year 2010.

### 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.

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 2010 taxable year was 5.925 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 parent 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**

<b>Pass-Through Entity Tax Liability (Form IT-1140), Tax Years 2007-2010</b> (figures in millions)			
<b>Tax Year</b>	<b>Withholding Tax (5.0%)</b>	<b>Entity Level Tax (8.5%)</b>	<b>Total Pass-Through Entity Tax Liability</b>
2007	\$107.8	\$23.2	\$131.0
2008	77.8	22.7	100.5
2009	-	-	90.5
2010	-	-	126.2

**Table 2**

<b>Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708), Fiscal Years 2007-2010</b> (figures in millions)	
<b>Fiscal Year</b>	<b>Revenue Collected<sup>1</sup></b>
2007	\$136.7
2008	134.9
2009	111.7
2010	114.5

<sup>1</sup> Includes estimated tax payments (form IT 4708 ES).



## Property Tax – Public Utility Property

**T**his 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 \$9.9 billion in tax year 2010. Electric utilities accounted for 70.8 percent of total public utility personal property value in 2010 and the natural gas industry accounted for 8.3 percent.

Revenue from the public utility property tax amounted to about \$747.2 million in calendar year 2010 (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. For tax years 2000 and 2010, the final remnant of the tangible personal property tax consisted of property used by telephone companies and inter-exchange telecommunications companies. Although such property is not subject to the public utility property tax, for simplicity's sake a table is provided in this chapter showing information on that tax.

### 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 2011

House Bill 153 extended until January 1, 2014 by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project," and extended until January 1, 2015 (or January 1, 2019 for nuclear, clean coal, and cogeneration projects) by when energy must be produced.

### Changes for 2010

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority can be exempt from the tangible personal property tax if certified by the Director of Development as a "qualified energy project." Such a facility will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to be certified as a "qualified energy project," among other requirements, construction must begin before January 1, 2012, energy produced by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and Ohio jobs created. (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 <sup>1</sup>	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.

<sup>1</sup> Including production equipment.

## 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 “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

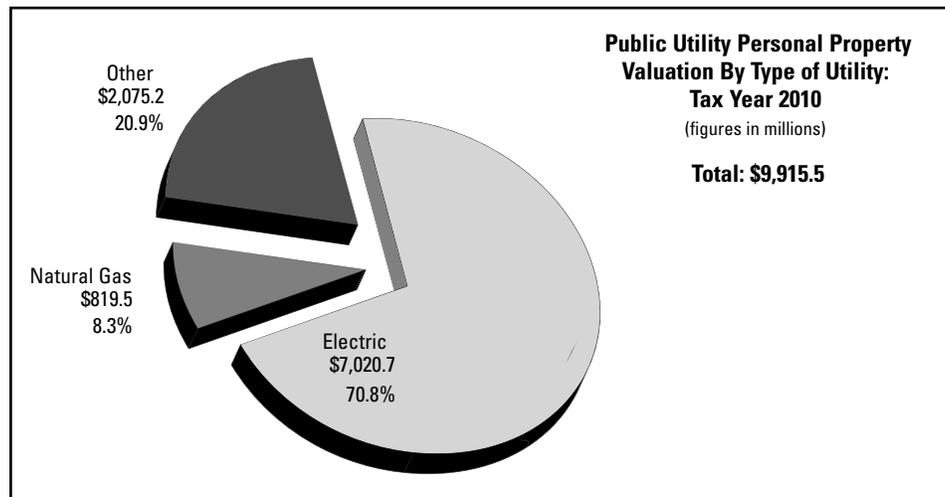
(R.C. 5713.01, 5727.06)

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 2006 - 2010				
		2006	2007	2008	2009	2010
Electric	19	\$5,789,028,700	\$6,139,587,280	\$6,390,727,590	\$6,665,194,420	\$7,020,695,660
Telephone <sup>1</sup>	-	1,710,226,520	-	-	-	-
Natural Gas	26	652,656,240	687,377,830	713,082,350	763,148,170	819,544,930
Railroad	-	221,809,710	166,453,130	133,631,890	0	-
Pipeline	16	733,341,850	718,061,960	713,799,520	742,391,230	1,461,255,730
Rural Electric	27	337,995,440	356,232,540	391,893,760	379,305,110	415,791,840
Water Works	15	131,570,430	155,095,100	153,161,070	151,025,180	159,717,810
Lease/Rental <sup>2</sup>	12	-	-	-	36,472,560	36,063,820
Other <sup>3</sup>	7	2,837,390	3,148,860	4,619,360	4,168,520	2,406,410
<b>Totals<sup>3</sup></b>	<b>122</b>	<b>\$9,579,466,280</b>	<b>\$8,225,956,700</b>	<b>\$8,500,915,540</b>	<b>\$8,886,519,380</b>	<b>\$9,915,476,200</b>
<b>Taxes Levied</b>		<b>\$745,800,863</b>	<b>\$621,194,887</b>	<b>\$645,176,010</b>	<b>\$676,598,501</b>	<b>\$747,249,291</b>

Source: Department of Taxation.

1 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.

2 This category consists of tangible personal property leased by or rented to a public utility property taxpayer. Such property was included in tangible personal property values for 2008 and prior tax years. Because of the repeal of the tangible personal property tax in 2009, this type of property has been added to this table.

3 Includes water transportation and heating.

4 Only companies with taxable property are included.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2010					
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	\$218,532,560	\$975,189	LOGAN	\$33,172,380	\$207,758
ALLEN	84,727,970	485,316	LORAIN	225,068,790	1,905,487
ASHLAND	58,971,990	410,906	LUCAS	221,492,520	2,090,343
ASHTABULA	87,489,630	664,560	MADISON	30,301,200	203,719
ATHENS	85,591,790	628,170	MAHONING	153,705,890	1,257,588
AUGLAIZE	18,202,090	112,655	MARION	66,835,900	441,302
BELMONT	122,369,590	769,711	MEDINA	91,176,320	823,048
BROWN	33,788,640	178,329	MEIGS	41,262,280	203,787
BUTLER	299,468,492	2,169,023	MERCER	21,045,480	123,075
CARROLL	44,833,030	229,494	MIAMI	56,115,050	387,546
CHAMPAIGN	24,424,510	165,788	MONROE	85,713,220	490,097
CLARK	70,963,800	547,098	MONTGOMERY	302,617,930	3,103,939
CLERMONT	300,397,840	2,086,196	MORGAN	62,235,010	364,562
CLINTON	60,079,640	307,846	MORROW	22,266,140	125,186
COLUMBIANA	83,320,440	474,174	MUSKINGUM	142,961,480	936,903
COSHOCTON	137,351,580	698,046	NOBLE	64,660,890	316,605
CRAWFORD	23,102,330	179,756	OTTAWA	113,060,260	635,872
CUYAHOGA	673,170,690	7,258,081	PAULDING	27,667,230	161,567
DARKE	42,721,030	219,299	PERRY	83,780,930	520,723
DEFIANCE	52,422,710	330,454	PICKAWAY	119,984,190	685,872
DELAWARE	144,567,380	1,212,356	PIKE	36,622,560	206,241
ERIE	52,906,520	450,710	PORTAGE	78,910,080	706,691
FAIRFIELD	170,466,470	1,245,415	PREBLE	33,939,000	193,584
FAYETTE	80,492,480	444,690	PUTNAM	26,487,710	133,764
FRANKLIN	646,260,560	6,881,712	RICHLAND	90,063,330	719,640
FULTON	37,840,970	272,644	ROSS	57,890,740	361,743
GALLIA	228,621,950	948,221	SANDUSKY	43,790,610	255,956
GEAUGA	65,637,020	647,936	SCIOTO	76,223,900	449,050
GREENE	94,269,290	742,017	SENECA	50,414,250	330,928
GUERNSEY	106,962,410	584,111	SHELBY	31,875,770	192,189
HAMILTON	614,617,830	5,969,546	STARK	259,195,100	2,053,413
HANCOCK	58,865,590	361,829	SUMMIT	232,757,930	2,110,045
HARDIN	22,807,150	132,674	TRUMBULL	113,700,510	886,752
HARRISON	26,017,380	160,250	TUSCARAWAS	73,077,780	469,045
HENRY	17,313,270	124,513	UNION	52,499,230	401,618
HIGHLAND	29,713,900	140,837	VAN WERT	20,462,380	137,169
HOCKING	53,902,580	326,255	VINTON	32,079,390	143,082
HOLMES	28,821,530	166,571	WARREN	248,652,159	1,983,760
HURON	28,957,000	174,411	WASHINGTON	132,918,720	754,898
JACKSON	47,443,600	203,627	WAYNE	60,847,090	472,226
JEFFERSON	249,840,077	1,349,653	WILLIAMS	20,060,920	141,026
KNOX	39,934,120	259,588	WOOD	72,328,340	569,323
LAKE	380,705,610	3,188,827	WYANDOT	13,347,580	71,221
LAWRENCE	72,653,700	256,427			
LICKING	129,145,840	861,677	<b>TOTAL</b>	<b>\$9,773,962,748</b>	<b>\$747,249,291</b>

Table 3

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2010							
County	Value of Taxable Property	Average Current Taxes Levied	County Rate (in mills)	County	Value of Taxable Property	Average Current Taxes Levied	County Rate (in mills)
ADAMS	\$482,980	\$24,616	50.97	LOGAN	\$1,120,010	\$70,353	62.81
ALLEN	3,610,370	209,309	57.97	LORAIN	6,443,730	521,241	80.89
ASHLAND	1,250,620	91,662	73.29	LUCAS	10,886,190	1,053,082	96.74
ASHTABULA	6,567,620	490,991	74.76	MADISON	1,278,520	86,186	67.41
ATHENS	1,424,070	114,170	80.17	MAHONING	5,890,300	480,494	81.57
AUGLAIZE	1,527,680	96,233	62.99	MARION	1,191,670	78,639	65.99
BELMONT	1,389,200	87,287	62.83	MEDINA	3,452,050	313,806	90.90
BROWN	753,600	39,988	53.06	MEIGS	483,460	22,938	47.44
BUTLER	8,135,430	620,931	76.32	MERCER	964,020	55,144	57.20
CARROLL	522,520	28,321	54.20	MIAMI	1,761,760	121,949	69.22
CHAMPAIGN	998,720	69,602	69.69	MONROE	362,500	21,247	58.61
CLARK	2,871,630	214,971	74.86	MONTGOMERY	14,135,650	1,490,890	105.47
CLERMONT	4,369,950	373,809	85.54	MORGAN	255,770	13,804	53.97
CLINTON	1,107,210	57,941	52.33	MORROW	1,166,320	66,602	57.10
COLUMBIANA	1,964,990	112,025	57.01	MUSKINGUM	1,555,490	108,701	69.88
COSHOCTON	735,080	43,710	59.46	NOBLE	269,740	13,319	49.38
CRAWFORD	743,070	56,981	76.68	OTTAWA	1,209,950	85,014	70.26
CUYAHOGA	45,559,400	4,952,333	108.70	PAULDING	439,120	26,737	60.89
DARKE	832,670	44,694	53.68	PERRY	542,630	34,304	63.22
DEFIANCE	1,254,970	74,831	59.63	PICKAWAY	1,255,220	75,118	59.84
DELAWARE	7,498,830	615,581	82.09	PIKE	635,320	37,342	58.78
ERIE	2,063,260	175,445	85.03	PORTAGE	3,590,190	333,504	92.89
FAIRFIELD	1,889,870	150,928	79.86	PREBLE	876,220	45,703	52.16
FAYETTE	770,780	44,255	57.42	PUTNAM	844,440	43,725	51.78
FRANKLIN	38,767,900	4,190,061	108.08	RICHLAND	2,557,420	203,748	79.67
FULTON	1,061,940	78,390	73.82	ROSS	3,667,010	224,916	61.33
GALLIA	613,520	28,553	46.54	SANDUSKY	1,107,680	65,621	59.24
GEAUGA	3,811,040	371,870	97.58	SCIOTO	1,439,860	88,492	61.46
GREENE	3,639,580	288,343	79.22	SENECA	1,400,000	88,505	63.22
GUERNSEY	898,080	53,854	59.97	SHELBY	847,410	55,616	65.63
HAMILTON	34,198,070	3,265,267	95.48	STARK	7,333,350	596,247	81.31
HANCOCK	1,528,895	94,728	61.96	SUMMIT	17,297,310	1,600,336	92.52
HARDIN	620,090	35,051	56.53	TRUMBULL	4,912,600	379,597	77.27
HARRISON	336,910	20,879	61.97	TUSCARAWAS	1,655,700	111,223	67.18
HENRY	1,226,520	89,739	73.17	UNION	1,066,200	82,068	76.97
HIGHLAND	727,770	34,919	47.98	VAN WERT	592,350	40,386	68.18
HOCKING	501,610	30,459	60.72	VINTON	469,610	22,429	47.76
HOLMES	586,380	33,779	57.61	WARREN	6,418,210	549,064	85.55
HURON	1,249,490	75,191	60.18	WASHINGTON	1,151,410	63,411	55.07
JACKSON	637,280	28,819	45.22	WAYNE	2,730,240	204,543	74.92
JEFFERSON	1,188,770	70,276	59.12	WILLIAMS	990,120	69,770	70.47
KNOX	1,164,930	74,490	63.94	WOOD	3,356,260	274,048	81.65
LAKE	5,751,780	533,288	92.72	WYANDOT	<u>348,890</u>	<u>18,926</u>	<u>54.25</u>
LAWRENCE	831,740	31,643	38.04				
LICKING	3,592,940	236,821	65.91	<b>TOTAL</b>	<b>\$321,211,655</b>	<b>\$28,395,825</b>	<b>88.40</b>



## Property Tax – Real Property

**T**he 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 2010 (bills payable during 2011), the assessed valuation of real property in Ohio was about \$238.2 billion (\$681 billion in appraised true value). Revenue from taxes levied on this assessed value was distributed by county auditors to the local taxing authorities during calendar year 2011. Net taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (frequently described as "House Bill 920") were \$14.5 billion for tax year 2010, an increase of 2.8 percent over 2009. 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 2010 (reimbursed in 2011) is estimated to be \$1.1 billion for the 10 percent reduction, \$211.4 million for the 2.5 percent reduction and \$376.4 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 2010, the statewide average "gross" tax rate was 88.63 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 58.91 mills, while the effective rate was 67.50 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 home-

owner. 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 sited 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 sited to the home’s assessed value.

**Real property approach** – If a home was sited 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 sited 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 153, 129th General Assembly (effective July 1, 2011)**

**Administrative changes** — The budget bill made a number of changes which affected real property tax. Administratively, the bill modified publishing requirements and allowed for an Internet publishing option. The bill also permits a county auditor to charge the publishing costs for delinquent real property or manufactured home tax lists to the delinquent properties (as opposed to apportioning

costs among the various taxing districts). The bill also made some modifications to the amount of indebtedness a school district could carry. The bill also modified the statutes regarding joint township police districts, changing the name to “joint police district” and allowing municipal corporations to enter into agreements for a joint police district with a township. The bill also provided a method for merger of townships and modified distribution amounts to the Local Government Fund and the Public Library Fund.

**Real Property Tax Exemptions.** — The bill added a real property tax exemption for private entities when the property is associated with public service pursuant to R.C. 126.60-126.605. The bill also contains an uncodified section which authorizes the Director of the Department of Administrative Services and the Director of the Department of Rehabilitation and Corrections to authorize the sale of certain correctional facilities. The effect of selling the correctional facilities will be a return of the facilities to the real property tax rolls when sold. The bill also makes clear that the grantee shall be responsible for the costs associated with the purchase and conveyance of the real estate.

**Finally, the bill amended 5709.07(A)(1)** — to remove language which limited real property tax exemption to schoolhouse property if such property was “leased or otherwise used with a view to profit.” The bill also provided a real property exemption to a convention center owned by the largest city in a county (with population minimums). The bill extended the time during which local governments and businesses may enter into enterprise zone agreements from October 15, 2011 until October 15, 2012.

**Substitute House Bill 71, 129th General Assembly (effective Sept. 15, 2011)**

Minor League Baseball Stadiums. New Division (F) in R.C. 5709.081 allows an exemption for a public recreation facility owned by a municipality and used primarily by an independent professional minor league baseball team for a significant portion of its home schedule, if (1) the facility is constructed in 2008 or thereafter, (2) the team operates at the facility under a lease, license, management agreement, or similar arrangement with the municipality, and (3) any residual cash that accrues to the municipality is used for the public purposes of the municipality.

An “independent professional minor league baseball team” means a baseball team that employs professional players and that is a member of an established league composed of teams that are not affiliated with major league baseball.

## Recent Court Decisions

**Maralgate, L.L.C. v. Greene County Board of Revision, 130 Ohio St.3d 316, 2011-Ohio-5448:**

The Ohio Supreme Court ruled that land held by different entities could qualify for Current Agricultural Use Valuation if the entities were under common ownership and if the land under issue was not in use for a commercial purpose other than agriculture. Land containing ponds from prior

quarrying activity and a landfill used by the county without compensation to the owner were found to be “purely incidental” to the overall agricultural use of the surrounding farm even if held in a separate entity. Woods located on the parcel are also exempt. No requirement that the woods be used for commercial timbering purposes if the land on which the timber is grown is contiguous to or part of a parcel of land under common ownership that is otherwise devoted exclusively to agricultural use.

**North Royalton City School District Board of Education v. Cuyahoga County Board of Revision, 129 Ohio St.3d 172, 2011-Ohio-3092:**

The Ohio Supreme Court reaffirmed its holding that the best evidence of the value of a particular piece of property is the amount for which it transferred in an arm’s-length transaction. The court held this to be true even if the sale price was negotiated through a contract which was entered into long before the property actually transferred. In the present case, the sale price was set in a ground lease executed in 1998. The property transferred in 2005 in accordance with the terms of the ground lease. The court reaffirmed its holding that the presumption that a sale price reflects value can be rebutted if recency or the arm’s-length character of the sale is challenged. However, the court held that in the present case the critical measurement was not the date on which the sale was negotiated, but the date on which the property transferred.

**Columbus City Schools Board of Education v. Testa, 129 Ohio St.3d 200, 2011-Ohio-2907:**

The Ohio Supreme Court held that a board of education had a right to participate in an appeal of the denial of a real property tax exemption at the Board of Tax Appeals. The court held that the BTA had an obligation to notify the board of education of its determination. Without such

notice, the time for filing a motion to vacate had not run and the school board’s motion to vacate was timely. Case affirms *MB West Chester, L.L.C. v. Butler County Board of Revision*, 126 Ohio St.3d 430, 2010-Ohio-3781, a real property valuation appeal wherein the board of education did not receive notice of the filing of the appellant’s notice of appeal with the BTA. In that case, the court held that the time for filing an appeal had never begun to run because the notice requirements were not met.

**The Chapel v. Testa, 129 Ohio St.3d 21, 2011-Ohio-545:**

The Ohio Supreme Court held that property owned by a church could also qualify for exemption under the charitable-use exemption found in R.C. 5709.12(B). A church applied for exemption of its new church property under two statutes, R.C. 5709.07(A)(2), exempting from taxation a house of public worship, and R.C. 5709.12(B), exempting from taxation property belonging to institutions that is used exclusively for charitable purposes. The court held that if the use to which the property is put otherwise qualifies as charitable, neither the fact of ownership by a religious organization nor the existence of religious motives will defeat the claim for exemption. The court held that the activity on the property was a charitable use entitled to exemption. The use of the property was for recreational purposes, open to the community, and used by non-members of the church.

**Table 1**

<b>Assessed Value Of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief, Tax Years 2005 - 2010</b>						
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Value Of Taxable Property</b>	\$222,488,359,822	\$234,133,065,917	\$235,916,746,794	\$241,120,753,580	\$238,193,861,953	\$238,182,209,591
<b>Residential &amp; Agricultural</b>	170,735,325,098	180,305,043,717	184,029,442,834	187,687,183,700	184,181,188,378	184,352,812,609
<b>Other<sup>1</sup></b>	51,753,034,724	53,828,022,200	51,887,303,960	53,433,569,880	54,012,673,575	53,829,396,982
<b>Taxes Charged<sup>2</sup></b>	12,276,786,818	12,956,794,743	13,128,191,919	13,819,361,777	14,124,390,998	14,494,608,093
<b>Residential &amp; Agricultural</b>	8,997,828,917	9,568,110,019	9,880,261,962	10,398,014,352	10,576,227,491	10,860,862,198
<b>Other<sup>1</sup></b>	3,278,957,901	3,388,684,724	3,247,929,957	3,421,347,425	3,548,163,507	3,633,745,895
<b>Average Effective Tax Rate<sup>3</sup></b>	55.18	55.34	55.65	57.31	59.30	60.86
<b>Residential &amp; Agricultural</b>	52.70	53.07	53.69	55.40	57.42	58.91
<b>Other<sup>1</sup></b>	63.36	62.95	62.60	64.03	65.69	67.50
<b>10% Reduction In All Real Property Taxes</b>	893,847,539	952,065,574	990,608,456	1,042,002,658	1,061,932,289	1,090,774,144
<b>2.5% Reduction In Homeowner's Real Property Taxes<sup>4</sup></b>	172,852,664	184,658,118	193,869,450	202,879,613	206,623,789	211,369,995
<b>Homestead Exemption Reduction<sup>4</sup></b>	69,687,885	70,105,574	317,107,593	341,874,647	361,838,373	376,393,082
<b>Net Taxes Collectible (after 10% reduction, 2.5% reduction, and homestead exemption)</b>	\$11,140,398,729	\$11,749,965,477	\$11,626,606,421	\$12,232,604,859	\$12,493,996,547	\$12,816,070,872

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 2010									
County	Class I		Class II		County	Class I		Class II	
	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>		Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>	Gross Rate <sup>1</sup>	Net Rate <sup>2</sup>
ADAMS	51.12	42.16	49.18	45.30	LOGAN	63.53	43.35	64.48	48.11
ALLEN	57.97	47.31	58.21	48.64	LORAIN	82.49	55.85	84.29	61.62
ASHLAND	73.33	44.84	76.94	52.53	LUCAS	100.90	65.00	99.00	74.64
ASHTABULA	75.42	48.97	76.49	54.29	MADISON	66.88	50.97	67.39	56.45
ATHENS	79.16	53.32	84.62	55.10	MAHONING	83.43	57.17	85.78	64.56
AUGLAIZE	62.76	44.33	62.53	52.05	MARION	64.94	44.66	64.43	49.93
BELMONT	63.10	42.56	62.49	47.24	MEDINA	92.66	52.98	93.91	53.81
BROWN	51.39	39.97	51.35	42.47	MEIGS	48.08	39.20	50.00	46.09
BUTLER	78.38	54.89	78.68	58.45	MERCER	58.56	48.27	58.36	52.20
CARROLL	54.26	39.46	55.34	41.99	MIAMI	68.31	43.88	67.46	48.43
CHAMPAIGN	65.62	45.92	75.44	58.22	MONROE	58.32	40.92	58.46	56.79
CLARK	75.33	55.39	76.07	57.84	MONTGOMERY	106.93	76.69	105.42	84.05
CLERMONT	88.61	55.31	88.16	61.51	MORGAN	55.95	38.95	57.52	45.36
CLINTON	53.51	44.62	53.42	46.80	MORROW	55.64	43.94	59.59	48.02
COLUMBIANA	57.53	43.03	60.36	46.08	MUSKINGUM	68.37	47.46	69.94	50.64
COSHOCTON	60.27	42.65	62.71	45.26	NOBLE	49.64	36.77	50.07	41.02
CRAWFORD	78.74	51.63	79.37	59.91	OTTAWA	69.60	38.79	66.42	41.55
CUYAHOGA	118.85	77.43	108.83	80.20	PAULDING	61.33	48.53	65.63	54.56
DARKE	53.47	39.86	55.93	45.20	PERRY	63.71	44.54	63.89	51.08
DEFIANCE	61.85	45.75	63.05	49.96	PICKAWAY	60.77	46.69	63.96	53.59
DELAWARE	85.74	60.89	86.80	61.03	PIKE	60.92	43.63	66.70	53.67
ERIE	84.94	46.78	86.75	57.78	PORTAGE	91.37	52.40	94.86	58.65
FAIRFIELD	84.58	50.04	86.59	47.40	PREBLE	56.57	43.38	59.02	46.77
FAYETTE	58.62	46.36	61.04	48.29	PUTNAM	50.38	40.83	49.45	43.58
FRANKLIN	108.99	70.70	104.51	79.54	RICHLAND	78.25	51.30	80.22	66.37
FULTON	73.17	50.34	71.72	57.92	ROSS	61.63	44.72	66.74	51.37
GALLIA	47.83	40.57	46.84	40.77	SANDUSKY	60.51	42.14	56.73	44.72
GEAUGA	102.63	57.84	103.62	63.67	SCIOTO	60.21	45.87	64.78	51.61
GREENE	82.06	59.58	82.33	62.18	SENECA	65.29	42.92	67.45	56.56
GUERNSEY	59.27	47.48	60.53	51.78	SHELBY	61.51	44.63	62.27	49.61
HAMILTON	98.67	60.67	95.96	71.60	STARK	82.68	54.30	80.67	58.82
HANCOCK	64.48	45.62	66.47	57.01	SUMMIT	89.97	61.01	89.22	65.60
HARDIN	59.15	43.53	58.09	45.02	TRUMBULL	76.55	56.25	75.22	62.35
HARRISON	61.54	41.38	62.80	48.45	TUSCARAWAS	67.64	45.98	68.93	51.99
HENRY	73.32	50.91	74.46	64.47	UNION	78.82	56.90	78.59	63.94
HIGHLAND	47.94	39.86	47.93	42.32	VAN WERT	68.02	46.16	69.85	63.40
HOCKING	60.45	45.52	60.28	47.48	VINTON	45.95	42.55	48.89	46.40
HOLMES	55.43	44.52	54.63	47.74	WARREN	85.02	56.85	87.10	55.61
HURON	59.45	39.23	62.69	44.18	WASHINGTON	56.07	40.31	56.67	42.82
JACKSON	45.26	41.37	47.20	43.93	WAYNE	78.72	51.42	86.97	64.86
JEFFERSON	60.91	41.38	60.88	49.31	WILLIAMS	72.37	47.13	72.84	50.55
KNOX	66.02	48.09	62.16	51.37	WOOD	83.21	54.03	84.94	59.80
LAKE	93.00	59.08	90.64	61.80	WYANDOT	54.62	34.93	53.06	37.90
LAWRENCE	36.08	32.76	38.70	35.53	STATEWIDE				
LICKING	71.49	54.55	69.42	55.46	AVERAGE <sup>3</sup>	<b>88.65</b>	<b>58.91</b>	<b>90.99</b>	<b>67.50</b>

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 89.18 and the statewide average net rate is 60.86 mills

Table 3

Total Real Property Taxes, Values and Effective Tax Rates, by County, Tax Year 2010											
County	Taxable Value	Gross Taxes Levied	Taxes Charged	Special Assessments	Effective Tax Rate	County	Taxable Value	Gross Taxes Levied	Taxes Charged	Special Assessments	Effective Tax Rate
ADAMS	\$389,404,250	\$19,699,191	\$16,748,625	\$27,155	43.01	LOGAN	\$1,038,842,740	\$66,167,342	\$45,885,015	\$520,753	44.17
ALLEN	1,774,533,210	102,983,568	84,566,331	5,863,996	47.66	LORAIN	6,409,515,300	530,844,866	364,792,511	2,968,103	56.91
ASHLAND	939,144,190	69,395,464	43,232,968	644,219	46.03	LUCAS	7,784,913,254	781,573,726	525,867,170	34,956,558	67.55
ASHTABULA	1,790,522,740	135,396,479	89,457,899	2,385,022	49.96	MADISON	819,708,080	54,886,223	42,448,919	3,105,082,164	51.79
ATHENS	845,159,000	67,929,101	45,397,166	1,050,969	53.71	MAHONING	3,977,961,890	334,058,155	234,304,426	3,748,318	58.90
AUGLAIZE	870,956,290	54,628,228	39,734,093	1,070,212	45.62	MARION	957,782,740	62,101,569	43,750,959	1,897,677	45.68
BELMONT	962,326,900	60,586,877	41,993,449	341,078	43.64	MEDINA	4,409,033,300	409,469,079	234,197,460	3,309,559	53.12
BROWN	686,867,750	35,297,679	27,615,638	632,588	40.21	MEIGS	277,229,380	13,415,344	11,176,395	63,391	40.31
BUTLER	7,434,699,060	583,234,691	414,233,744	48,792,146	55.72	MERCER	804,658,300	47,102,987	39,199,118	1,743,029	48.72
CARROLL	516,192,840	28,073,610	20,518,702	371,499	39.75	MIAMI	2,100,718,770	143,173,886	93,943,256	2,225,521	44.72
CHAMPAIGN	700,888,750	46,890,708	33,313,281	94,747	47.53	MONROE	207,345,730	12,095,775	8,930,446	14,679	43.07
CLARK	2,234,091,420	168,668,388	125,003,705	933,889	55.95	MONTGOMERY	9,841,534,430	1,048,766,439	772,183,034	40,347,143	78.46
CLERMONT	4,181,638,650	370,191,332	236,237,136	11,239,317	56.49	MORGAN	209,820,520	11,784,514	8,353,991	114,563	39.81
CLINTON	769,301,700	41,149,975	34,715,398	432,713	45.13	MORROW	652,049,540	36,479,041	28,853,855	708,238	44.25
COLUMBIANA	1,549,031,450	89,831,443	67,424,128	869,171	43.53	MUSKINGUM	1,455,112,620	99,981,407	70,065,916	2,663,828	48.15
COSHOCTON	582,307,800	35,410,898	25,174,003	398,028	43.23	NOBLE	199,389,790	9,906,177	7,424,207	130,900	37.23
CRAWFORD	647,625,270	51,063,255	34,360,348	177,522	53.06	OTTAWA	1,652,748,380	114,202,728	64,827,769	2,720,301	39.22
CUYAHOGA	29,144,982,400	3,375,879,785	2,280,984,421	85,968,258	78.26	PAULDING	321,708,910	19,877,562	15,817,933	415,540	49.17
DARKE	935,089,280	50,309,725	37,946,390	934,179	40.58	PERRY	483,798,070	30,830,330	21,876,351	56,084	45.22
DEFIANCE	662,471,010	41,104,262	30,771,986	836,524	46.45	PICKAWAY	1,014,487,660	62,131,940	48,401,374	231,754	47.71
DELAWARE	6,224,807,850	534,485,803	379,105,528	21,387,882	60.90	PIKE	310,009,840	19,154,079	13,993,526	73,939	45.14
ERIE	2,013,726,870	171,844,240	99,005,599	3,905,791	49.17	PORTAGE	3,239,174,670	298,177,816	173,689,564	4,340,761	53.62
FAIRFIELD	3,075,108,290	261,072,442	152,610,372	4,113,147	49.63	PREBLE	767,657,940	43,658,789	33,619,178	2,158,521	43.79
FAYETTE	552,330,480	32,629,441	25,808,434	1,310,266	46.73	PUTNAM	629,032,940	31,627,156	25,866,199	544,899	41.12
FRANKLIN	27,338,074,390	2,943,203,963	2,004,566,648	113,888,127	73.33	RICHLAND	1,971,433,760	154,983,590	106,693,058	1,760,577	54.12
FULTON	851,143,220	62,057,289	44,013,157	1,283,201	51.71	ROSS	1,098,438,110	68,714,711	50,442,406	483,216	45.92
GALLIA	466,648,270	22,196,690	18,958,116	71,554	40.63	SANDUSKY	1,129,496,440	67,581,899	48,120,023	807,597	42.60
GEAUGA	3,027,981,030	311,104,969	177,154,043	1,915,244	58.51	SCIOTO	876,215,200	53,481,732	41,104,974	1,095,184	46.91
GREENE	3,828,150,510	314,352,594	230,044,829	3,386,534	60.09	SENECA	887,127,660	58,212,537	39,915,199	795,860	44.99
GUERNSEY	541,887,330	32,260,446	26,209,642	658,473	48.37	SHELBY	937,978,630	57,845,508	42,835,859	716,201	45.67
HAMILTON	19,278,312,960	1,888,372,916	1,225,034,718	100,210,407	63.54	STARK	6,814,367,580	560,511,750	376,581,644	6,908,034	55.26
HANCOCK	1,521,546,020	98,748,958	73,067,780	1,182,184	48.02	SUMMIT	12,308,911,900	1,105,311,706	764,016,293	33,700,236	62.07
HARDIN	443,695,810	26,179,391	19,404,358	1,262,430	43.73	TRUMBULL	3,302,406,180	251,953,341	189,622,479	2,029,438	57.42
HARRISON	227,591,730	14,042,480	9,621,708	106,316	42.28	TUSCARAWAS	1,536,759,460	104,338,002	72,457,980	1,431,247	47.15
HENRY	527,462,840	38,746,500	27,730,231	643,246	52.57	UNION	1,277,933,120	100,671,506	74,511,145	274,661	58.31
HIGHLAND	662,322,730	31,750,329	26,597,632	1,106,371	40.16	VAN WERT	457,194,600	31,194,671	21,999,061	840,194	48.12
HOCKING	506,888,840	30,632,627	23,170,123	51,522	45.71	VINTON	157,172,480	7,263,485	6,742,319	53,896	42.90
HOLMES	762,954,180	42,182,566	34,395,751	370,776	45.08	WARREN	5,512,786,290	470,702,552	312,219,893	5,036,678	56.64
HURON	1,020,622,770	61,206,807	40,844,406	433,796	40.02	WASHINGTON	973,563,120	54,722,213	39,814,710	387,836	40.90
JACKSON	428,791,400	19,581,360	17,966,835	3,623	41.90	WAYNE	2,132,195,760	171,099,203	114,934,019	1,747,901	53.90
JEFFERSON	902,705,117	54,979,868	38,942,018	394,359	43.14	WILLIAMS	690,909,150	50,068,407	33,043,308	1,108,626	47.83
KNOX	1,125,147,270	73,786,882	54,527,863	2,339,492	48.46	WOOD	2,791,173,730	233,475,702	154,855,874	10,314,580	55.48
LAKE	6,034,133,730	557,770,184	360,410,708	11,567,263	59.73	WYANDOT	407,379,090	22,165,167	14,396,572	90,983	35.34
LAWRENCE	793,574,350	28,897,492	26,274,340	672,390	33.11						
LICKING	3,581,690,590	254,771,705	195,938,449	4,210,875	54.71	<b>TOTAL</b>	<b>\$238,182,209,591</b>	<b>\$21,240,347,212</b>	<b>\$14,494,608,093</b>	<b>\$3,720,157,664</b>	<b>60.86</b>

Table 4

Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2010 <sup>1</sup>											
County	Taxes Charged	10% Reduction	Homestead Exemption Reduction	2.5% Reduction in Taxes of Homeowners	Net Taxes Collectible	County	Taxes Charged	10% Reduction	Homestead Exemption Reduction	2.5% Reduction in Taxes of Homeowners	Net Taxes Collectible
ADAMS	\$16,748,625	\$1,189,532	\$683,807	\$83,896	\$14,791,390	LOGAN	\$45,885,015	\$3,727,972	\$1,063,520	\$422,623	\$40,670,900
ALLEN	84,566,331	6,209,459	2,906,789	1,121,319	74,328,764	LORAIN	364,792,511	29,107,121	9,935,496	5,559,970	320,189,924
ASHLAND	43,232,968	3,548,834	1,560,351	644,395	37,479,387	LUCAS	525,867,170	37,126,443	15,477,007	7,770,512	465,493,209
ASHTABULA	89,457,899	7,095,498	3,345,279	1,038,295	77,978,826	MADISON	42,448,919	3,551,179	1,118,719	648,813	37,130,208
ATHENS	45,397,166	3,504,353	1,529,838	504,172	39,858,803	MAHONING	234,304,426	17,368,091	10,077,816	3,454,633	203,403,886
AUGLAIZE	39,734,093	3,213,341	1,201,842	567,558	34,751,352	MARION	43,750,959	3,446,364	1,789,228	581,958	37,933,409
BELMONT	41,993,449	3,145,260	2,075,888	543,583	36,228,718	MEDINA	234,197,460	19,396,139	5,404,022	3,939,169	205,458,130
BROWN	27,615,638	2,515,885	1,023,264	320,069	23,756,419	MEIGS	11,176,395	906,464	657,009	114,279	9,498,643
BUTLER	414,233,744	32,367,240	9,580,269	6,238,278	366,047,957	MERCER	39,199,118	3,441,715	1,189,353	523,910	34,044,140
CARROLL	20,518,702	1,799,123	733,772	226,411	17,759,397	MIAMI	93,943,256	7,518,583	2,890,230	1,404,094	82,130,348
CHAMPAIGN	33,313,281	2,794,269	1,142,017	391,063	28,985,932	MONROE	8,930,446	727,461	446,809	79,482	7,676,694
CLARK	125,003,705	9,529,046	5,196,426	1,716,307	108,561,927	MONTGOMERY	772,183,034	57,142,042	27,078,832	11,984,679	675,977,481
CLERMONT	236,237,136	19,425,390	5,142,189	3,982,540	207,687,018	MORGAN	8,353,991	705,187	413,952	75,308	7,159,543
CLINTON	34,715,398	2,636,475	944,509	413,517	30,720,897	MORROW	28,853,855	2,644,273	873,507	359,063	24,977,013
COLUMBIANA	67,424,128	5,560,211	3,181,588	889,321	57,793,007	MUSKINGUM	70,065,916	5,386,850	2,489,484	862,618	61,326,963
COSHOCTON	25,174,003	1,925,000	991,560	266,027	21,991,416	NOBLE	7,424,207	653,184	339,277	82,017	6,349,729
CRAWFORD	34,360,348	2,758,015	1,712,479	375,757	29,514,096	OTTAWA	64,827,769	5,398,656	1,357,249	492,338	57,579,526
CUYAHOGA	2,280,984,421	155,981,397	58,816,648	31,848,732	2,034,337,645	PAULDING	15,817,933	1,400,576	700,741	185,440	13,531,176
DARKE	37,946,390	3,226,094	1,486,263	502,957	32,731,077	PERRY	21,876,351	1,931,864	922,404	348,241	18,673,842
DEFIANCE	30,771,986	2,520,869	1,268,438	475,782	26,506,897	PICKAWAY	48,401,374	4,040,662	1,323,909	675,544	42,361,259
DELAWARE	379,105,528	33,446,851	3,882,905	7,204,059	334,571,714	PIKE	13,993,526	1,148,549	805,511	183,849	11,855,617
ERIE	99,005,599	7,421,327	2,595,247	1,296,473	87,692,553	PORTAGE	173,689,564	13,630,313	4,385,779	2,400,153	153,273,320
FAIRFIELD	152,610,372	12,963,707	3,470,894	2,356,193	133,819,579	PREBLE	33,619,178	2,917,374	1,279,369	501,359	28,921,076
FAYETTE	25,808,434	2,066,348	847,880	309,591	22,584,614	PUTNAM	25,866,199	2,302,425	778,552	435,361	22,349,860
FRANKLIN	2,004,566,648	137,770,417	30,109,735	29,424,367	1,807,262,129	RICHLAND	106,693,058	8,127,173	4,264,561	1,543,712	92,757,613
FULTON	44,013,157	3,505,220	1,352,033	665,761	38,490,143	ROSS	50,442,406	4,026,590	2,029,040	641,795	43,744,980
GALLIA	18,958,116	1,399,115	873,350	169,053	16,516,599	SANDUSKY	48,120,023	3,913,487	1,700,783	664,808	41,840,945
GEAUGA	177,154,043	15,462,283	3,332,684	2,958,411	155,400,665	SCIOTO	41,104,974	3,277,083	2,330,585	585,584	34,911,723
GREENE	230,044,829	18,281,896	5,039,199	2,946,277	203,777,458	SENECA	39,915,199	3,224,644	1,424,205	533,261	34,733,090
GUERNSEY	26,209,642	2,043,929	1,269,095	281,300	22,615,318	SHELBY	42,835,859	3,312,709	1,206,528	541,174	37,775,448
HAMILTON	1,225,034,718	89,745,022	22,119,676	18,573,333	1,094,596,687	STARK	376,581,644	29,164,408	13,420,295	5,627,226	328,369,715
HANCOCK	73,067,780	5,457,799	1,870,813	1,031,061	64,708,107	SUMMIT	764,016,293	57,418,029	19,964,417	11,433,226	675,200,622
HARDIN	19,404,358	1,662,589	828,257	246,167	16,667,345	TRUMBULL	189,622,479	14,985,336	8,954,679	2,533,402	163,149,062
HARRISON	9,621,708	821,741	567,734	95,555	8,136,677	TUSCARAWAS	72,457,980	5,689,972	2,598,038	952,229	63,217,740
HENRY	27,730,231	2,356,256	948,632	359,892	24,065,451	UNION	74,511,145	6,125,795	1,124,731	1,066,981	66,193,638
HIGHLAND	26,597,632	2,322,555	1,066,716	265,724	22,942,637	VAN WERT	21,999,061	1,875,115	1,032,035	314,935	18,776,975
HOCKING	23,170,123	2,078,005	836,595	313,043	19,942,481	VINTON	6,742,319	607,999	403,385	72,481	5,658,453
HOLMES	34,395,751	2,793,139	684,190	343,290	30,575,131	WARREN	312,219,893	25,927,161	5,203,415	5,499,160	275,590,157
HURON	40,844,406	3,355,151	1,361,027	615,918	35,512,311	WASHINGTON	39,814,710	2,984,067	1,689,174	457,658	34,683,811
JACKSON	17,966,835	1,400,482	889,696	141,429	15,535,229	WAYNE	114,934,019	8,901,762	3,268,561	1,577,402	101,186,294
JEFFERSON	38,942,018	2,905,318	2,200,363	483,542	33,352,794	WILLIAMS	33,043,308	2,596,083	1,199,443	428,568	28,819,214
KNOX	54,527,863	4,793,338	1,712,917	743,125	47,278,483	WOOD	154,855,874	11,315,221	3,337,859	1,856,662	138,346,133
LAKE	360,410,708	27,093,255	9,372,102	5,417,587	318,527,764	WYANDOT	14,396,572	1,226,263	530,063	169,045	12,471,201
LAWRENCE	26,274,340	2,258,411	1,568,975	328,780	22,118,174						
LICKING	195,938,449	16,106,309	4,589,576	3,065,366	172,177,198	<b>TOTAL</b>	<b>\$14,494,608,093</b>	<b>\$1,090,774,144</b>	<b>\$376,393,082</b>	<b>\$211,369,995</b>	<b>\$12,816,070,872</b>

1 Taxes charged in tax year 2010 and collected or reimbursed in calendar year 2011.

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**

<b>Assessed Valuation of Exempt Real Property, by Ownership Classifications: Tax Years 2008 - 2010</b>			
(figures in millions)			
<b>Property Under Public Ownership</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Boards of Education	\$6,573.2	\$6,884.1	\$7,150.4
Municipalities	5,172.9	5,171.3	5,245.1
State	3,587.9	3,597.7	3,589.1
Counties	2,450.4	2,595.3	2,633.5
United States	1,543.3	1,550.4	1,539.6
Park Districts	642.3	656.7	665.2
Townships	<u>351.1</u>	<u>362.3</u>	<u>375.7</u>
<b>Total</b>	<b>\$20,321.2</b>	<b>\$20,817.7</b>	<b>\$21,198.7</b>
<b>Property Under Private Ownership</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Tax Abatements	\$8,844.1	\$9,405.6	\$9,571.0
Charities	4,566.4	4,645.4	4,737.4
Churches	4,097.7	4,165.4	4,227.5
Schools and Colleges	3,518.9	3,704.3	4,012.7
Cemeteries	<u>244.5</u>	<u>249.1</u>	<u>251.4</u>
<b>Total</b>	<b>\$21,271.6</b>	<b>\$22,169.7</b>	<b>\$22,800.1</b>
<b>Grand Total<sup>1</sup></b>	<b>\$42,370.6</b>	<b>\$43,776.5</b>	<b>\$44,835.1</b>

Source: Exempt real property abstracts filed by county auditors with the Department of Taxation.

<sup>1</sup> 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 2010							
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	Assessed Value of Exempt Real Property	Percent of Tax Base Exempt from Taxation
ADAMS	\$389,404,250	\$53,475,660	12.07 %	LOGAN	\$1,038,842,740	\$106,587,570	9.31%
ALLEN	1,774,533,210	363,921,200	17.02	LORAIN	6,409,515,300	939,023,230	12.78
ASHLAND	939,144,190	165,020,710	14.95	LUCAS	7,784,913,254	1,560,958,200	16.70
ASHTABULA	1,790,522,740	250,527,560	12.27	MADISON	819,708,080	188,608,130	18.71
ATHENS	845,159,000	363,643,800	30.08	MAHONING	3,977,961,890	520,629,280	11.57
AUGLAIZE	870,956,290	92,586,700	9.61	MARION	957,782,740	169,326,660	15.02
BELMONT	962,326,900	179,000,550	15.68	MEDINA	4,409,033,300	401,925,940	8.35
BROWN	686,867,750	69,490,280	9.19	MEIGS	277,229,380	26,803,670	8.82
BUTLER	7,434,699,060	1,851,352,290	19.94	MERCER	804,658,300	88,962,963	9.96
CARROLL	516,192,840	31,148,500	5.69	MIAMI	2,100,718,770	260,574,130	11.04
CHAMPAIGN	700,888,750	60,549,710	7.95	MONROE	207,345,730	23,757,070	10.28
CLARK	2,234,091,420	392,818,370	14.95	MONTGOMERY	9,841,534,430	1,931,343,210	16.41
CLERMONT	4,181,638,650	537,608,320	11.39	MORGAN	209,820,520	23,493,340	10.07
CLINTON	769,301,700	123,984,430	13.88	MORROW	652,049,540	45,827,860	6.57
COLUMBIANA	1,549,031,450	222,034,350	12.54	MUSKINGUM	1,455,112,620	285,656,690	16.41
COSHOCTON	582,307,800	76,037,150	11.55	NOBLE	199,389,790	39,495,550	16.53
CRAWFORD	647,625,270	83,991,820	11.48	OTTAWA	1,652,748,380	127,658,320	7.17
CUYAHOGA	29,144,982,400	6,334,643,590	17.85	PAULDING	321,708,910	39,912,650	11.04
DARKE	935,089,280	117,391,550	11.15	PERRY	483,798,070	72,422,390	13.02
DEFIANCE	662,471,010	96,168,370	12.68	PICKAWAY	1,014,487,660	179,348,610	15.02
DELAWARE	6,224,807,850	967,884,760	13.46	PIKE	310,009,840	62,320,330	16.74
ERIE	2,013,726,870	292,785,580	12.69	PORTAGE	3,239,174,670	784,974,090	19.51
FAIRFIELD	3,075,108,290	379,630,920	10.99	PREBLE	767,657,940	71,328,890	8.50
FAYETTE	552,330,480	87,484,780	13.67	PUTNAM	629,032,940	84,298,380	11.82
FRANKLIN	27,338,074,390	7,592,477,340	21.74	RICHLAND	1,971,433,760	290,820,540	12.86
FULTON	851,143,220	175,489,510	17.09	ROSS	1,098,438,110	235,944,280	17.68
GALLIA	466,648,270	96,513,960	17.14	SANDUSKY	1,129,496,440	193,900,430	14.65
GEAUGA	3,027,981,030	226,016,000	6.95	SCIOTO	876,215,200	287,587,580	24.71
GREENE	3,828,150,510	823,035,600	17.70	SENECA	887,127,660	128,469,810	12.65
GUERNSEY	541,887,330	117,494,290	17.82	SHELBY	937,978,630	109,524,170	10.46
HAMILTON	19,278,312,960	5,088,595,460	20.88	STARK	6,814,367,580	1,092,947,758	13.82
HANCOCK	1,521,546,020	200,012,270	11.62	SUMMIT	12,308,911,900	1,791,803,180	12.71
HARDIN	443,695,810	71,187,160	13.83	TRUMBULL	3,302,406,180	444,069,540	11.85
HARRISON	227,591,730	29,515,570	11.48	TUSCARAWAS	1,536,759,460	165,708,570	9.73
HENRY	527,462,840	76,405,210	12.65	UNION	1,277,933,120	103,982,630	7.52
HIGHLAND	662,322,730	80,029,870	10.78	VAN WERT	457,194,600	82,299,150	15.25
HOCKING	506,888,840	77,863,900	13.32	VINTON	157,172,480	24,718,440	13.59
HOLMES	762,954,180	46,932,820	5.79	WARREN	5,512,786,290	942,834,530	14.60
HURON	1,020,622,770	114,841,020	10.11	WASHINGTON	973,563,120	157,162,290	13.90
JACKSON	428,791,400	96,701,890	18.40	WAYNE	2,132,195,760	378,528,120	15.08
JEFFERSON	902,705,117	145,083,570	13.85	WILLIAMS	690,909,150	115,700,530	14.34
KNOX	1,125,147,270	206,388,320	15.50	WOOD	2,791,173,730	647,165,410	18.82
LAKE	6,034,133,730	484,586,340	7.43	WYANDOT	407,379,090	34,086,100	7.72
LAWRENCE	793,574,350	137,939,400	14.81				
LICKING	3,581,690,590	492,345,590	12.08	<b>TOTAL</b>	<b>\$238,182,209,591</b>	<b>\$44,835,126,251</b>	<b>15.84%</b>

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 2009							
County	Number of Homestead Exemptions Granted <sup>1</sup>	Average Reduction in Taxable Value <sup>1</sup>	Total Reduction in Real Property Taxes <sup>2</sup>	County	Number of Homestead Exemptions Granted <sup>1</sup>	Average Reduction in Taxable Value <sup>1</sup>	Total Reduction in Real Property Taxes <sup>2</sup>
ADAMS	2,293	\$294	\$676,565	LOGAN	3,217	\$327	\$1,088,570
ALLEN	7,861	356	2,807,191	LORAIN	22,871	404	9,235,689
ASHLAND	4,370	349	1,528,154	LUCAS	31,514	483	15,208,067
ASHTABULA	8,669	372	3,297,552	MADISON	2,761	385	1,098,186
ATHENS	3,692	401	1,484,561	MAHONING	23,322	409	9,569,609
AUGLAIZE	3,404	344	1,193,013	MARION	4,939	351	1,731,481
BELMONT	5,987	337	2,088,479	MEDINA	12,647	389	4,921,982
BROWN	3,517	290	1,057,237	MEIGS	2,410	277	667,298
BUTLER	21,867	421	9,196,762	MERCER	3,182	367	1,168,412
CARROLL	2,486	302	758,253	MIAMI	8,337	338	2,815,206
CHAMPAIGN	3,081	351	1,080,795	MONROE	1,481	302	448,775
CLARK	11,431	410	4,739,651	MONTGOMERY	44,796	566	25,351,386
CLERMONT	12,069	401	4,842,475	MORGAN	1,409	272	383,491
CLINTON	2,703	323	877,553	MORROW	2,572	230	592,576
COLUMBIANA	9,567	324	3,104,072	MUSKINGUM	6,850	362	2,560,599
COSHOCTON	2,899	326	946,422	NOBLE	1,274	273	347,536
CRAWFORD	4,210	380	1,597,997	OTTAWA	4,080	327	1,335,760
CUYAHOGA	100,378	577	57,914,855	PAULDING	1,804	390	703,544
DARKE	4,776	302	1,474,062	PERRY	2,718	328	896,768
DEFIANCE	3,537	347	1,237,604	PICKAWAY	3,592	345	1,278,705
DELAWARE	8,238	434	3,579,230	PIKE	2,535	311	792,868
ERIE	6,788	368	2,498,858	PORTAGE	10,553	402	4,240,156
FAIRFIELD	9,283	360	3,340,203	PREBLE	3,760	316	1,201,190
FAYETTE <sup>3</sup>	2,122	373	792,477	PUTNAM	2,475	317	785,556
FRANKLIN	53,030	530	28,637,132	RICHLAND	10,588	392	4,152,960
FULTON	3,285	410	1,347,808	ROSS	5,972	323	1,967,790
GALLIA	2,719	302	821,770	SANDUSKY	5,181	317	1,641,906
GEAUGA	7,360	425	3,136,816	SCIOTO	6,793	349	2,417,300
GREENE	10,085	491	5,091,705	SENECA	4,277	325	1,416,350
GUERNSEY	3,472	359	1,248,130	SHELBY	3,438	363	1,272,488
HAMILTON	46,643	466	22,432,805	STARK	32,131	406	13,046,316
HANCOCK	5,107	345	1,764,289	SUMMIT	41,525	470	19,535,167
HARDIN	2,516	315	792,401	TRUMBULL	20,313	426	8,651,325
HARRISON <sup>3</sup>	1,615	340	555,855	TUSCARAWAS	7,351	343	2,562,663
HENRY	2,352	399	938,162	UNION	2,576	423	1,090,808
HIGHLAND	3,560	292	1,039,208	VAN WERT	2,841	355	1,008,969
HOCKING	2,430	341	830,796	VINTON	1,326	298	395,181
HOLMES	1,881	354	667,717	WARREN	12,167	399	4,851,789
HURON	4,386	303	1,328,651	WASHINGTON	5,429	303	1,648,211
JACKSON	2,790	311	867,165	WAYNE	7,968	378	3,014,479
JEFFERSON	7,013	300	2,158,956	WILLIAMS	3,225	347	1,132,768
KNOX	4,617	365	1,684,787	WOOD	7,957	413	3,282,971
LAKE	19,697	443	8,748,857	WYANDOT	1,901	269	511,907
LAWRENCE	6,216	256	1,588,414				
LICKING	11,164	382	4,434,722		<b>835,224</b>	<b>\$433</b>	<b>\$364,254,922</b>

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.

3 Tax year 2009 data not submitted; previous year's information shown.



## Public Utility Excise Tax

**O**hio'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 \$120 million in public utility excise tax liabilities were reported during the 2011 tax year. Of this, natural gas companies accounted for about 98 percent of total tax reported.

Total revenue collected from the public utility tax amounted to \$124.8 million in fiscal year 2011. 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

**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 operating 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

Public Utility Excise Tax Levied By Class of Utility: Tax Years 2007 - 2011 <sup>1</sup>							
Class of Utility	Number of Taxpayers in 2011	Tax Rate 2011	2007	2008	2009	2010	2011
Natural Gas <sup>2</sup>	31	4.75%	\$154,729,267	\$160,813,160	\$158,960,642	\$127,582,454	\$117,578,649
Waterworks	14	4.75%	3,218,411	3,450,173	3,663,672	2,076,123	1,312,944
Pipeline	16	6.75%	616,522	138,309	1,108,047	1,000,979	123,570
Other <sup>3</sup>	5	4.75%	2,056,638	2,323,172	2,592,214	959,161	537,328
<b>Total</b>	<b>66</b>		<b>\$160,620,838</b>	<b>\$166,724,814</b>	<b>\$166,324,574</b>	<b>\$131,618,718</b>	<b>\$119,552,491</b>

Source: Treasurer of State.

<sup>1</sup> Amount of tax certified for collection (except for natural gas companies beginning in 2001).

<sup>2</sup> 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 2007 through 2011.

<sup>3</sup> 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 2011, approximately \$6.7 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, the Scrap Tire Management Fund evenly into Soil and Water conservation district assistance fund.

### Administration

The fee and its distribution are administered by the Tax Commissioner.

### Ohio Revised Code Citations

R.C. 3734.90 – 3734.99.

### Table

Replacement Tire Fee Revenue: Fiscal Years 2007 – 2011				
Fiscal Year	Scrap Tire Management Fund	Soil & Water Conservation Fund		Total
		Administrative Fund		
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
2011	3,300,576	\$3,300,576	134,717	6,735,870

Source: Office of Budget and Management monthly accounting report (OH GL070).



## Resort Area Gross Receipts Tax

**T**he 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.

## Ohio Revised Code Citations

R.C. 5739.101 – 5739.104

## Administration

The Tax Commissioner administers the tax and distributes the revenue to the villages and township that have enacted it.

### Table

Resort Area Gross Receipts Net Tax Revenue, Fiscal Years 2006-2011				
Fiscal Year	Village of Put-in-Bay	Township of Put-in-Bay	Village of Kelley's Island	Total
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
2011	487,388	212,496	120,399	820,284



## Sales and Use Tax

**T**he 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 2011, the tax generated about \$7.77 billion in revenue for state government. Of that amount 97.6 percent or \$7.6 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, 2011, 87 Ohio county governments levied permissive sales and use taxes ranging from 0.50 percent to 1.5 percent. (Only Stark County did not levy the tax). During the 2011 calendar year, the state collected approximately \$1.5 billion for county governments from such levies.

As of July 1, 2011, 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 2011, 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**

<b>Description of Sales Tax Taxpayers and Vendor's Licenses</b>		
Taxpayer	Cost of License	Description
<b>Vendor</b>	<b>\$25</b>	Each person or business establishment located in Ohio making retail sales.
<b>Service vendor</b>	<b>\$25</b>	Person or business that provides automatic data processing, computer services, and electronic information services; or telecommunications services; mobile telecommunications services; lawn care and landscaping services; private investigation and security services; building maintenance and janitorial services; employment and employment placement services; exterminating services; satellite broadcasting services; or snow removal services. The license is valid statewide.
<b>Transient vendor</b>	<b>\$25</b>	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
<b>Delivery vendor</b>	<b>\$25</b>	Retailer who maintains no store, showroom, or similar place of business where merchandise is offered for sale, or who has no location where merchandise displayed in catalogs may be selected or picked up by customers.
<b>Seller</b>	<b>No fee</b>	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
<b>Direct pay permit holder</b>	<b>No fee</b>	Consumers authorized by the Tax Commissioner to remit tax directly to the state instead of to the vendor. This authority can only be issued upon application if the Commissioner determines that granting the authority would improve compliance and increase the efficiency of the administration of the tax.
<b>Clerks of court</b>	<b>No fee</b>	Dealers remit taxes collected on sales of motor vehicles, watercraft, and outboard motors to county clerks of court when a title is issued. Clerks of court also collect the tax on casual sales of motor vehicles, and sales of watercraft and outboard motors required to be titled. Clerks of court remit these receipts to the state.
<b>Division of Liquor Control</b>	<b>No fee</b>	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
<b>Consumers' use tax account</b>	<b>No fee</b>	Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state.

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.

**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

Total Rates	Number of Jurisdictions
5.75%	1
6.25 %	4
6.50 %	20
6.75 %	14
7.00 %	48
7.75 %	1

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 se-

curity 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 2011, 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 amount 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.

**Exhibit 2**

<b>Type of Sales Tax Returns and Filing Payment Dates</b>		
Note: All monthly and semi-annual returns must be filed electronically as of the first filing period in 2009.		
<b>Type of Return</b>	<b>Taxpayer</b>	<b>Payment Date</b>
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.

**County permissive sales and use tax (R.C. 5739.21, 5741.03)**

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

**County additional permissive sales and use tax (R.C. 5739.21, 5741.03)**

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

**Transit authority sales and use tax (R.C. 306.31, 5739.21, 5741.03)**

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

**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

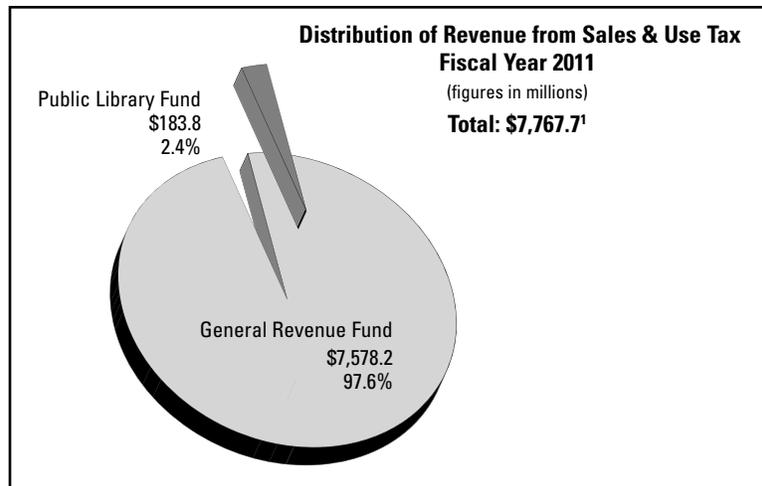


Table 1

<b>Sales and Use Tax - Collections By Type of Payments</b>	
(includes State and County/Transit Authority Permissive Tax)	
<b>Fiscal Year 2011</b>	
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 \$17,883,759. The local sales and use tax figure reflects collections during the July 2010-June 2011 period (rather than distributions made during the July 2010-June 2011 period).	
Type	Amount FY 2011
Vendor's Sales	\$6,410,963,891
Motor Vehicle and Water Craft (from Clerks of Court)	1,201,863,107
Seller's Use	1,024,708,049
Consumers' Use	302,109,748
Direct Payment	550,791,564
Streamlined Sales	6,589,833
Liquor Sales by Division of Liquor Control	36,218,110
Attorney General Sales and Use Tax Collections	47,645,534
<b>Total State and Local Collections</b>	<b>\$9,580,889,836</b>
Less Local Sales and Use Tax Collections	<u>1,801,694,880</u>
<b>Total State Collections</b>	<b>\$7,779,194,956</b>

Source: Ohio Department of Taxation records and information from the state accounting system.

<sup>1</sup> Includes Attorney General collections which amount to \$5.7 million.

Table 2

State and Permissive (Local) Sales and Use Tax Collections, by Industrial Classification <sup>1</sup> : July 2010 through June 2011						
Industrial Classification	NAICS codes <small>North American Industrial Classification System</small>	Number of Business Entities, January - June 2011 <sup>2</sup>	July - December 2010 Collections	January - June 2011 Collections	Total FY 2011 Collections	
Agriculture, Forestry, and Fishing	111100-115310	671	\$1,658,424	\$2,901,773	\$4,560,197	
Mining	211110-213110	105	1,807,776	1,587,294	3,395,070	
Utilities (excluding telecommunications)	221100-221300	97	28,778,164	85,785,581	114,563,745	
Construction	236110-238900	1,656	18,320,632	17,792,277	36,112,909	
Manufacturing	311110-339900	9,314	149,332,056	149,499,527	298,831,583	
Wholesale Trade	423100-425120	4,180	78,676,287	79,598,293	158,274,580	
Retail Trade:						
Motor Vehicle and Parts Dealers <sup>3</sup>	441110-441300	5,407	165,087,674	172,164,581	337,252,255	
Furniture and Home Furnishings Stores	442110-442299	3,678	86,827,956	87,208,591	174,036,547	
Electronic and Appliance Stores	443111-443130	2,811	151,741,902	152,140,604	303,882,506	
Building Material and Garden Equipment & Supplies	444110-444200	7,637	363,895,775	328,095,958	691,991,733	
Food and Beverage Stores	445110-445310	7,156	215,266,740	203,742,859	419,009,599	
Health and Personal Care Stores	446110-446190	7,872	111,249,370	113,722,007	224,971,377	
Gasoline Stations	447100	1,437	78,112,540	75,767,582	153,880,122	
Clothing and Clothing Accessories Stores	448110-448320	4,731	174,242,368	164,174,423	338,416,791	
Sporting Goods, Hobby, Book, and Music Stores	451110-451220	6,402	101,301,194	89,102,902	190,404,096	
General Merchandise Stores	452110-452900	4,578	588,769,440	522,742,086	1,111,511,526	
Miscellaneous Store Retailers	453110-453990	27,311	443,162,785	446,395,602	889,558,387	
Nonstore Retailers	454110-454390	4,309	65,746,401	78,707,162	144,453,563	
Transportation and Warehousing	481000-493100	1,611	7,883,051	12,987,853	20,870,904	
Information (including telecommunications)	511110-519100	3,376	358,857,331	335,948,705	694,806,036	
Finance and Insurance	522110-525990	356	181,825,770	190,664,546	372,490,316	
Real Estate, and Rental & Leasing of Property	531110-533110	3,419	103,074,849	99,561,855	202,636,704	
Professional, Scientific and Technical Services	541110-541990	6,327	52,027,881	61,969,529	113,997,410	
Management of Companies (Holding Companies)	551111-551112	43	4,239,513	7,228,674	11,468,187	
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	10,878	154,230,085	150,258,003	304,488,088	
Education, Health Care and Social Assistance	611000-624410	2,115	6,587,593	8,892,831	15,480,424	
Arts, Entertainment, and Recreation	711100-713900	2,739	26,444,669	21,918,542	48,363,211	
Accommodation and Food Services	721110-722410	18,840	385,452,294	374,713,908	760,166,202	
Other Services	811110-812990	16,659	111,650,904	114,090,124	225,741,028	
Unclassified	n/a	7,652	21,938,164	22,055,618	43,993,782	
<b>TOTAL<sup>4</sup></b>		<b>173,367</b>	<b>\$4,238,189,588</b>	<b>\$4,171,419,291</b>	<b>\$8,409,608,879</b>	

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 2011 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**

<b>Sales &amp; Use Tax</b>				
<b>Number of Accounts By Type and Payment Schedule</b>				
(As of July 1, 2011)				
<b>Accounts</b>	<b>Payment Schedule</b>			<b>Total</b>
	<b>Semi-Annual</b>	<b>Monthly</b>	<b>Quarterly</b>	
"Vendor's (includes 42,003 master accounts issued by counties)	87,225	68,297		197,525
Master (accounts issued by the state)	1,708	4,036		5,744
Transient	31,108	2,402		33,510
Service	14,160	8,226		22,386
Delivery	9,541	1,443		10,984
Consumers'	0	957	14,240	15,197
Direct Pay	0	291	175	466
Out-of-State	8,419	7,240		15,659
<b>Totals</b>	<b>152,161</b>	<b>92,892</b>	<b>14,415</b>	<b>301,471</b>

Table 4

**County and Transit Authority Permissive Sales Tax Collections  
Calendar Years 2006 - 2011**

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	2006	2007	2008	2009	2010	2011	Initial Enactment	Tax Rate 6/30/11	Effective Date of Current Rate 12/31/11
ADAMS	\$2,969,347	\$3,183,996	\$3,118,975	\$2,962,554	\$3,244,305	\$3,290,325	June 1, 1991	1.50 <sup>1</sup>	Apr. 1, 2006
ALLEN	14,481,886	14,849,544	13,972,200	13,165,331	14,246,583	14,476,312	May 1, 1970	1.00	June 1, 1987
ASHLAND	6,124,578	6,285,331	6,317,590	5,767,699	6,014,104	6,359,262	Mar. 1, 1971	1.25 <sup>2</sup>	Jan. 1, 1998
ASHTABULA	8,649,601	8,638,589	8,570,060	7,938,933	8,570,869	8,956,657	Apr. 1, 1977	1.00	July 1, 1985
ATHENS	5,995,215	6,250,298	6,358,789	6,413,526	6,735,970	6,810,061	Feb. 1, 1982	1.25 <sup>2</sup>	Jan. 1, 1994
AUGLAIZE	6,629,972	6,915,103	7,035,131	6,230,098	6,615,638	7,205,687	Nov. 1, 1973	1.50 <sup>1</sup>	June 1, 1996
BELMONT	11,556,532	11,585,345	10,848,695	10,780,315	11,278,396	11,904,166	May 1, 1985	1.50 <sup>1</sup>	Jan. 1, 1995
BROWN	3,314,663	3,251,092	3,079,320	2,962,698	3,428,393	4,184,628	Aug. 1, 1979	1.50 <sup>2</sup>	Oct. 1, 2010
BUTLER	40,662,380	41,317,070	33,112,821	29,766,768	29,589,370	30,745,215	June 1, 1985	0.75	Jan. 1, 2008
CARROLL	1,603,847	1,803,206	1,890,307	1,655,211	1,808,510	2,009,558	Sep. 1, 1985	1.00	July 1, 2006
CHAMPAIGN	4,550,508	4,481,444	4,625,788	4,034,562	4,054,478	4,451,343	Jan. 1, 1986	1.50 <sup>1</sup>	July 1, 2003
CLARK	18,400,110	13,429,820	18,791,959	18,679,244	19,451,080	20,374,884	Nov. 1, 1972	1.50 <sup>1</sup>	Jan. 1, 2008
CLERMONT	20,838,670	21,257,485	20,378,457	19,140,719	20,136,697	20,991,145	Aug. 1, 1979	1.00	Oct. 1, 1983
CLINTON	7,627,289	7,821,787	7,128,412	6,931,659	6,136,736	6,589,778	May 1, 1972	1.50 <sup>1</sup>	Oct. 1, 2005
COLUMBIANA	8,281,444	11,094,523	12,603,339	11,690,608	12,501,158	13,359,749	Aug. 1, 1985	1.50 <sup>1</sup>	Apr. 1, 2007
COSHOCTON	3,957,148	4,387,300	4,451,826	4,080,863	4,320,072	4,460,460	June 1, 1971	1.50 <sup>1</sup>	Jan. 1, 2006
CRAWFORD	4,907,608	4,982,615	5,036,568	4,405,433	4,511,097	4,824,614	May 1, 1978	1.50 <sup>1</sup>	July 1, 1994
CUYAHOGA	169,299,614	179,932,073	212,711,596	194,026,358	205,211,697	218,737,889	Sep. 1, 1969	1.25 <sup>2</sup>	Oct. 1, 2007
DARKE	6,799,401	7,500,135	7,141,728	6,373,738	6,319,928	6,733,248	July 1, 1975	1.50 <sup>1</sup>	Oct. 1, 2005
DEFIANCE	4,546,018	4,780,726	4,647,121	4,311,802	4,426,385	4,931,361	Feb. 1, 1987	1.00	Feb. 1, 1987
DELAWARE	33,762,217	36,304,531	35,941,918	35,899,776	38,088,578	41,361,429	Jan. 1, 1972	1.25 <sup>2</sup>	Oct. 1, 1996
ERIE	12,448,397	12,544,818	12,749,346	11,766,426	12,754,912	13,370,369	Mar. 1, 1977	1.00	May 1, 1993
FAIRFIELD	11,011,730	11,326,997	11,564,477	11,668,564	15,769,483	16,656,582	Sep. 1, 1981	1.00	Jan. 1, 2010
FAYETTE	4,343,975	4,684,890	6,626,664	6,675,310	6,590,732	6,910,207	Mar. 1, 1983	1.50 <sup>1</sup>	Jan. 1, 2008
FRANKLIN	172,872,499	177,768,109	136,336,222	122,649,116	129,329,538	135,742,789	Sep. 1, 1985	0.75	Jan. 1, 2008
FULTON	4,078,807	4,058,595	4,147,325	3,728,875	5,598,907	6,142,580	May 1, 1972	1.50	Jan. 1, 2010
GALLIA	3,873,943	4,074,918	4,240,343	4,025,647	4,072,767	4,251,704	Dec. 1, 1981	1.25 <sup>1</sup>	Feb. 1, 1995
GEAUGA	10,928,863	11,632,972	11,453,277	10,409,829	10,533,228	11,183,037	Aug. 1, 1987	1.00 <sup>2</sup>	Feb. 1, 2004
GREENE	20,408,306	21,106,684	20,903,959	20,558,891	21,130,730	21,965,538	Mar. 1, 1971	1.00	Feb. 1, 1987
GUERNSEY	5,824,558	5,860,713	5,849,364	6,131,011	6,094,236	6,185,035	Feb. 1, 1971	1.50 <sup>1</sup>	Aug. 1, 1993
HAMILTON	129,376,893	133,199,307	129,798,378	120,408,014	125,730,107	130,231,179	June 1, 1970	1.00 <sup>1</sup>	June 1, 1996
HANCOCK	5,377,722	5,619,402	5,365,589	11,218,865	11,033,039	11,623,579	Feb. 1, 1979	1.00 <sup>2</sup>	Jan. 1, 2010
HARDIN	3,334,029	3,369,736	3,188,497	3,166,318	3,413,571	3,553,743	Oct. 1, 1985	1.50 <sup>1</sup>	Jan. 1, 2005
HARRISON	1,381,888	1,354,411	1,287,617	1,254,949	1,377,080	1,496,851	Dec. 1, 1985	1.50 <sup>1</sup>	June 1, 1994
HENRY	2,934,326	3,224,179	3,678,937	3,428,056	3,666,295	3,652,943	Mar. 1, 1972	1.50 <sup>1</sup>	Apr. 1, 2007
HIGHLAND	5,091,812	5,172,130	4,952,521	4,874,812	5,208,362	5,333,384	May 1, 1979	1.50 <sup>1</sup>	July 1, 2005
HOCKING	2,808,952	2,864,739	2,847,045	2,727,787	2,909,631	3,066,854	Apr. 1, 1979	1.25 <sup>2</sup>	Jan. 1, 1998
HOLMES	4,312,824	4,351,938	4,577,731	4,249,652	4,514,354	4,943,420	July 1, 1977	1.00	Jan. 1, 1998
HURON	7,785,060	7,851,113	7,593,299	6,926,248	7,598,363	8,225,716	Feb. 1, 1978	1.50 <sup>1</sup>	Jan. 1, 1996
JACKSON	4,482,840	4,512,968	4,356,868	4,173,994	4,487,441	4,555,733	Apr. 1, 1982	1.50 <sup>1</sup>	Jan. 1, 1998
JEFFERSON	9,722,077	10,369,775	10,445,767	9,437,739	9,866,645	10,069,882	June 1, 1973	1.50 <sup>1</sup>	Nov. 1, 1994
KNOX	5,384,622	5,404,741	5,439,283	4,951,627	5,206,251	5,437,944	May 1, 1971	1.00 <sup>2</sup>	Feb. 1, 1994
LAKE	15,469,561	15,841,911	15,529,714	14,353,531	14,629,554	15,546,168	July 1, 1969	0.50	Aug. 1, 1988
LAWRENCE	6,496,600	6,723,374	6,808,072	6,587,932	7,260,402	7,500,362	June 1, 1986	1.50 <sup>1</sup>	June 1, 1998
LICKING	23,730,294	24,751,138	24,283,013	23,055,893	23,619,086	24,804,013	Feb. 1, 1971	1.50 <sup>1</sup>	Jan. 1, 2006
LOGAN	7,350,392	7,525,447	7,706,490	6,796,016	6,888,277	7,197,092	Jan. 1, 1974	1.50 <sup>1</sup>	July 1, 1997
LORAIN	23,025,723	23,760,781	22,873,860	30,262,475	26,902,971	23,604,816	July 1, 1985	0.75 <sup>2</sup>	Apr. 1, 2010
LUCAS	70,824,075	71,801,939	70,363,214	64,340,305	68,074,916	72,035,425	Feb. 1, 1971	1.25 <sup>2</sup>	Jan. 1, 1993
MADISON	4,115,639	4,387,076	4,580,027	3,828,322	3,997,908	4,360,382	Mar. 1, 1983	1.25 <sup>2</sup>	July 1, 1999
MAHONING	27,620,917	28,431,266	27,981,245	25,971,965	27,477,879	29,699,553	Apr. 1, 1980	1.00 <sup>1</sup>	Oct. 1, 2005
MARION	6,677,482	\$7,189,172	6,884,440	6,255,481	6,509,927	\$7,370,344	Sep. 1, 1985	1.50 <sup>1</sup>	Oct. 1, 2011
MEDINA	9,557,722	11,510,099	19,162,818	18,058,064	18,677,184	19,860,141	Apr. 1, 1971	1.00 <sup>1</sup>	Oct. 1, 2007
MEIGS	1,158,194	1,230,960	1,225,559	1,214,295	1,265,083	1,374,024	Feb. 1, 1987	1.00	Feb. 1, 1987
MERCER	3,632,555	3,780,028	5,350,703	5,478,648	5,800,489	6,187,061	Nov. 1, 1971	1.50 <sup>1</sup>	Apr. 1, 2008
MIAMI	10,415,469	10,799,595	10,902,816	10,212,564	13,068,299	13,898,864	Dec. 1, 1969	1.25	Oct. 1, 2009
MONROE	1,206,671	1,358,363	1,511,174	1,437,392	1,456,441	1,683,852	Oct. 1, 1986	1.50 <sup>1</sup>	Jan. 1, 2010
MONTGOMERY	64,734,278	64,377,557	64,340,111	58,729,714	60,821,918	66,650,957	Jan. 1, 1971	1.00	July 1, 1989
MORGAN	1,008,824	1,060,863	1,168,308	1,135,842	1,188,810	1,226,386	Feb. 1, 1972	1.50 <sup>1</sup>	Apr. 1, 1990

(Cont'd. on the next page)

<sup>1</sup> Includes a 0.50% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

<sup>2</sup> 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.)

<b>County and Transit Authority Permissive Sales Tax Collections Calendar Years 2006 - 2011</b>									
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	2006	2007	2008	2009	2010	2011	Initial Enactment	Tax Rate 6/30/11	Effective Date of Current Rate
MORROW	\$2,659,921	\$2,789,891	\$2,732,270	\$2,418,133	\$2,615,260	\$2,781,257	July 1, 1971	1.50 <sup>1</sup>	Jul 1, 1995
MUSKINGUM	14,774,019	14,691,024	14,690,306	14,997,407	14,892,841	14,992,113	May 1, 1971	1.50 <sup>1</sup>	Apr. 1, 1993
NOBLE	1,005,701	1,056,971	1,047,565	1,093,626	1,090,451	1,098,781	Jan. 1, 1971	1.50 <sup>1</sup>	Feb. 1, 1995
OTTAWA	5,147,563	5,128,283	5,198,860	4,813,331	5,516,198	6,373,589	Oct. 1, 1973	1.25	July 1, 2010
PAULDING	1,589,247	1,596,866	1,563,396	1,352,623	1,515,998	1,674,064	Apr. 1, 1984	1.50 <sup>1</sup>	Nov. 1, 1991
PERRY	1,798,303	1,818,043	1,799,201	1,854,544	2,524,910	3,079,116	Mar. 1, 1971	1.50 <sup>1</sup>	Apr. 1, 2010
PICKAWAY	5,711,366	5,860,320	5,952,481	6,335,068	5,910,137	6,304,828	Oct. 1, 1983	1.50 <sup>1</sup>	Dec. 1, 2001
PIKE	3,378,628	3,448,304	3,649,439	3,444,775	3,691,117	3,840,756	May 1, 1988	1.50 <sup>1</sup>	Jan. 1, 2006
PORTAGE	14,386,517	14,884,820	15,133,049	14,468,521	15,924,811	16,484,674	Apr. 1, 1971	1.00	Dec. 1, 1999
PREBLE	4,388,893	4,383,637	4,340,758	3,978,709	4,444,872	5,027,910	Nov. 1, 1979	1.50 <sup>1</sup>	May 1, 1994
PUTNAM	3,152,349	3,450,810	3,378,346	3,810,132	4,078,573	4,770,923	Jan. 1, 1974	1.50 <sup>1</sup>	Jan. 1, 2009
RICHLAND	18,303,057	18,564,613	18,463,217	16,998,124	18,121,298	18,750,452	June 1, 1979	1.25 <sup>1</sup>	Apr. 1, 2005
ROSS	11,219,815	11,221,083	10,999,022	11,254,090	11,951,369	12,341,994	Jan. 1, 1980	1.50 <sup>1</sup>	Oct. 1, 1993
SANDUSKY	6,928,914	7,615,121	7,350,669	6,981,002	8,008,419	9,632,765	Aug. 1, 1979	1.50 <sup>2</sup>	Oct. 1, 2010
SCIOTO	8,744,475	9,177,698	9,227,388	9,176,979	10,048,182	10,385,019	May 1, 1979	1.50 <sup>1</sup>	May 1, 2001
SENECA	6,747,142	6,748,385	7,088,480	6,380,064	6,800,668	6,962,100	Oct. 1, 1983	1.50 <sup>1</sup>	Aug. 1, 2003
SHELBY	7,950,025	8,109,136	7,490,908	6,539,566	6,816,661	7,450,890	Mar. 1, 1971	1.50 <sup>1</sup>	Apr 1, 2008
STARK	11,506,507	11,789,500	11,669,979	24,059,403	18,532,610	6,978,106	Jan. 1, 1987	0.00	July 1, 2011
SUMMIT	36,021,182	36,696,575	35,672,063	33,085,279	34,576,726	36,191,562	Mar. 1, 1973	0.50	Nov. 1, 1995
TRUMBULL	20,735,712	21,444,461	21,118,330	19,420,353	20,753,184	22,517,348	June 1, 1985	1.00	July 1, 2005
TUSCARAWAS	9,267,067	9,431,540	9,410,168	8,662,339	9,143,507	9,709,327	Apr. 1, 1971	1.00	July 1, 1998
UNION	7,163,498	8,354,287	9,630,696	8,956,881	9,294,054	9,487,591	Apr. 1, 1989	1.25 <sup>2</sup>	July 1, 2008
VAN WERT	3,480,108	3,457,911	3,542,444	3,268,999	3,773,437	3,904,204	Mar. 1, 1972	1.50 <sup>1</sup>	Mar. 1, 1991
VINTON	790,618	868,227	829,382	794,454	895,288	970,795	May 1, 1985	1.50 <sup>1</sup>	Mar. 1, 1992
WARREN	24,976,707	26,750,180	26,612,718	26,201,291	27,206,741	28,359,839	Jan. 1, 1972	1.00 <sup>1</sup>	Jan. 1, 1992
WASHINGTON	9,411,203	9,800,889	9,662,989	9,027,451	9,811,462	10,385,166	Oct. 1, 1983	1.50 <sup>1</sup>	Jan. 1, 1990
WAYNE	8,294,021	8,529,027	8,486,153	7,722,607	8,106,668	8,787,045	Mar. 1, 1971	0.75	Jan. 1, 1992
WILLIAMS	4,754,966	4,923,737	4,942,414	4,351,902	4,573,015	4,800,583	Dec. 1, 1977	1.50 <sup>1</sup>	Oct. 1, 2003
WOOD	14,809,636	15,403,260	15,949,426	15,091,591	15,579,034	16,623,884	June 1, 1971	1.00	Nov. 1, 1987
WYANDOT	2,806,218	2,705,482	2,691,934	2,507,231	2,637,310	2,975,397	Feb. 1, 1985	1.50 <sup>1</sup>	Oct. 1, 2005
<b>COUNTY TOTAL</b>	<b>\$1,361,669,941</b>	<b>\$1,405,634,797</b>	<b>\$1,396,160,722</b>	<b>\$1,328,414,534</b>	<b>\$1,390,049,665</b>	<b>\$1,453,998,354</b>			
CLEVELAND RTA (CUYAHOGA CO.)	\$169,262,438	\$173,161,230	\$170,707,698	\$155,282,828	\$164,069,879	\$174,934,574	Oct. 1, 1975	1.00	Oct 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	46,371,674	47,598,995	88,246,021	87,819,553	93,011,284	98,049,602	Sep. 1, 1980	0.50	Jan 1, 2008
LAKETRAN TA (LAKE CO.)	7,728,333	7,913,161	7,744,815	7,157,306	7,294,636	7,759,654	Aug. 1, 1988	0.25	Aug 1, 1988
WESTERN RESERVE TA (MAHONING CO.)				4,167,214	6,834,623	7,415,654		0.25	Apr 1, 2009
GREATER DAYTON RTA (MONTGOMERY CO.)	32,363,030	32,185,370	32,149,806	29,341,697	30,373,587	33,285,528	July 1, 1980	0.50	Jul 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	3,583,445	3,705,852	3,775,726	3,608,868	3,976,097	4,115,662	Feb. 1, 2002	0.25	Feb 1, 2002
STARK AREA RTA (STARK CO.)	11,525,065	11,785,691	11,696,465	10,410,581	11,148,815	11,793,115	July 1, 1997	0.25	Jul 1, 1997
METRO TA (SUMMIT CO.)	17,989,459	18,306,155	24,848,457	32,829,001	34,385,448	36,110,561	Feb. 1, 1991	0.50	Jul 1, 2008
<b>TRANSIT AUTHORITY TOTAL</b>	<b>\$288,823,443</b>	<b>\$294,656,453</b>	<b>\$339,168,988</b>	<b>\$330,617,048</b>	<b>\$351,094,368</b>	<b>\$373,464,350</b>			
<b>GRAND TOTAL</b>	<b>\$1,650,493,384</b>	<b>\$1,700,291,250</b>	<b>\$1,735,329,710</b>	<b>\$1,659,031,582</b>	<b>\$1,741,144,032</b>	<b>\$1,827,462,704</b>			

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 \$11.6 million during fiscal year 2011. 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 <sup>1</sup>
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.

<sup>1</sup> 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

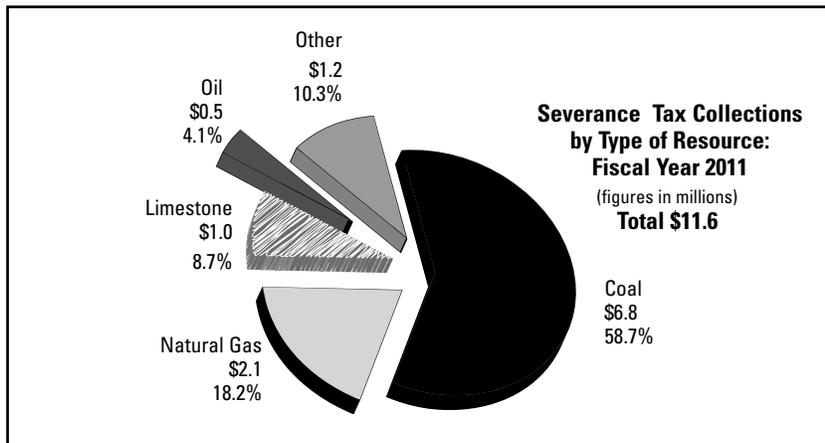
Chapter 5749.

### 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

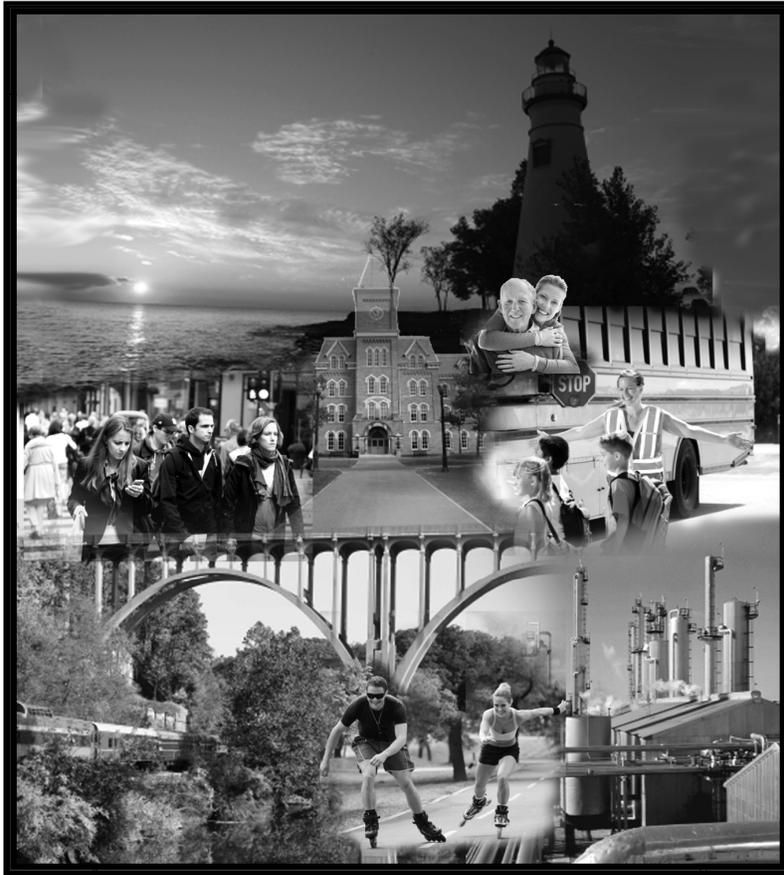


Table

Natural Resource	Tax Rate	2007	2008	2009	2010	2011
Coal	10 cents per ton	\$2,016,846	\$2,224,007	\$2,717,837	\$2,668,161	\$2,734,665
Coal - Reclamation Tax	0.14 cents per ton	-	2,159,954	3,435,718	3,488,169	3,964,177
Coal - Surface Mining	1.2 cents per ton	-	79,891	118,923	112,845	105,995
Natural Gas	2.5 cents per 1,000 cubic feet	1,945,713	1,973,148	2,069,704	2,067,986	2,108,546
Limestone	2 cents per ton	1,252,499	1,299,974	1,111,512	883,334	1,005,508
Oil	10 cents per barrel	505,876	528,280	499,297	487,165	481,799
Gravel	2 cents per ton	580,400	394,991	337,919	256,826	255,051
Sand	2 cents per ton	475,825	405,561	369,937	293,012	330,431
Dolomite	2 cents per ton	11,840	19,443	41,464	9,006	18,714
Salt	4 cents per ton	167,562	211,046	245,660	233,521	224,192
Clay	1 cents per ton	14,847	21,982	12,890	11,501	8,830
Sandstone	1 cents per ton	16,631	17,669	14,321	8,928	330,431
Shale	1 cents per ton	25,379	27,292	24,693	33,895	20,451
Gypsum	1 cents per ton	-	-	-	-	-
Quartzite	1 cents per ton	2,364	3,343	2,152	2,155	2,012
<b>Total</b>		<b>\$7,676,830</b>	<b>\$7,018,674</b>	<b>\$9,362,791</b>	<b>\$11,011,233</b>	<b>\$11,590,804</b>



## 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 received a 3.68 percent share of all general revenue tax collections. Beginning in August 2011, the amount credited to the LGF will be 75% of the amount received during the respective month in the previous year.

During the 2011 calendar year, approximately \$661.9 million was distributed to counties from the state LGF. This amount includes nearly \$598.1 million distributed to county undivided LGFs and \$13.8 million from the tax on dealers in intangibles. Additionally, nearly \$50.0 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.

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF based on 75% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011.
- An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will only be credited to the GRF and no longer be distributed to the counties.

### 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.

Beginning in August 2011, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011. There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions for FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the "freeze/cut" would receive no less than \$750,000.

## 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.

## Recent Legislation

### House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF based on 75% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011. An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will only be credited to the GRF and no longer be distributed to the counties.
- Beginning in August 2011, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011.
- There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions during FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the "freeze/cut" would receive no less than \$750,000.

**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
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 <sup>1</sup>	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
2011 <sup>2</sup>	648,162,293	-0.28	13,751,305	1.60	661,913,598	-0.24

<sup>1</sup> 2008 displays the effects of H.B 119 and the combining of the Local Government and Local Government Revenue Assistance Funds.

<sup>2</sup> 2011 displays the beginning effects of H.B. 153

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2011							
County	To Counties <sup>1</sup>	To Municipalities	Total	County	To Counties <sup>1</sup>	To Municipalities	Total
ADAMS	\$828,246	\$727	\$828,972	LOGAN	\$1,824,875	\$101,639	\$1,926,514
ALLEN	\$4,583,602	\$272,225	\$4,855,827	LORAIN	\$16,241,611	\$963,571	\$17,205,182
ASHLAND	\$2,122,278	\$141,955	\$2,264,234	LUCAS	\$24,873,110	\$3,033,753	\$27,906,864
ASHTABULA	\$4,029,988	\$201,120	\$4,231,108	MADISON	\$1,444,110	\$66,752	\$1,510,862
ATHENS	\$2,057,543	\$121,802	\$2,179,345	MAHONING	\$10,234,556	\$639,539	\$10,874,095
AUGLAIZE	\$2,308,081	\$151,158	\$2,459,239	MARION	\$2,686,158	\$171,306	\$2,857,464
BELMONT	\$2,847,135	\$20,229	\$2,867,364	MEDINA	\$6,977,691	\$274,806	\$7,252,497
BROWN	\$1,125,806	\$14,195	\$1,140,001	MEIGS	\$716,304	\$8,627	\$724,931
BUTLER	\$14,502,678	\$962,469	\$15,465,147	MERCER	\$1,866,402	\$60,557	\$1,926,959
CARROLL	\$841,281	\$13,213	\$854,493	MIAMI	\$5,144,751	\$364,672	\$5,509,423
CHAMPAIGN	\$1,447,024	\$74,478	\$1,521,502	MONROE	\$463,252	\$4,987	\$468,239
CLARK	\$5,716,001	\$446,977	\$6,162,979	MONTGOMERY	\$32,111,455	\$3,424,349	\$35,535,805
CLERMONT	\$4,382,082	\$45,865	\$4,427,947	MORGAN	\$460,325	\$8,065	\$468,390
CLINTON	\$1,617,309	\$53,311	\$1,670,620	MORROW	\$821,584	\$17,990	\$839,573
COLUMBIANA <sup>2</sup>	\$4,130,483	\$166,444	\$4,296,927	MUSKINGUM	\$3,115,832	\$186,754	\$3,302,586
COSHOCTON	\$1,443,212	\$50,016	\$1,493,228	NOBLE	\$417,966	0	\$417,966
CRAWFORD	\$2,106,584	\$117,837	\$2,224,420	OTTAWA	\$1,670,528	\$54,433	\$1,724,962
CUYAHOGA	\$112,345,988	\$11,227,650	\$123,573,638	PAULDING	\$743,201	\$1,676	\$744,877
DARKE	\$2,384,381	\$88,639	\$2,473,020	PERRY	\$934,412	\$16,337	\$950,748
DEFIANCE	\$1,817,903	\$97,038	\$1,914,942	PICKAWAY	\$1,841,856	\$72,892	\$1,914,748
DELAWARE	\$4,961,596	\$183,976	\$5,145,572	PIKE	\$867,750	\$14,898	\$882,648
ERIE	\$3,755,146	\$151,072	\$3,906,218	PORTAGE	\$6,256,550	\$402,528	\$6,659,079
FAIRFIELD	\$5,023,119	\$223,436	\$5,246,555	PREBLE	\$1,517,967	\$61,541	\$1,579,508
FAYETTE	\$1,164,435	\$55,091	\$1,219,526	PUTNAM	\$1,454,011	\$51,404	\$1,505,415
FRANKLIN	\$75,772,462	\$8,868,974	\$84,641,435	RICHLAND	\$6,170,851	\$476,820	\$6,647,671
FULTON	\$1,978,312	\$136,051	\$2,114,363	ROSS	\$2,859,117	\$142,100	\$3,001,217
GALLIA	\$1,000,998	\$24,783	\$1,025,782	SANDUSKY	\$2,871,531	\$152,504	\$3,024,035
GEAUGA	\$2,736,457	\$94,018	\$2,830,474	SCIOTO	\$2,558,840	\$99,585	\$2,658,424
GREENE	\$8,134,264	\$235,319	\$8,369,582	SENECA	\$2,734,602	\$186,753	\$2,921,355
GUERNSEY	\$1,499,007	\$52,572	\$1,551,579	SHELBY	\$2,407,882	\$195,474	\$2,603,356
HAMILTON	\$53,133,890	\$5,822,864	\$58,956,754	STARK	\$15,879,210	\$1,126,400	\$17,005,610
HANCOCK	\$3,956,452	\$210,668	\$4,167,120	SUMMIT	\$34,652,749	\$3,001,206	\$37,653,955
HARDIN	\$1,218,623	\$53,673	\$1,272,296	TRUMBULL	\$9,122,329	\$459,153	\$9,581,482
HARRISON	\$618,265	\$12,543	\$630,808	TUSCARAWAS	\$4,332,512	\$178,182	\$4,510,694
HENRY	\$1,246,217	\$50,755	\$1,296,972	UNION	\$1,542,133	\$68,672	\$1,610,805
HIGHLAND	\$1,383,911	\$60,261	\$1,444,172	VAN WERT	\$1,322,182	\$76,678	\$1,398,861
HOCKING	\$890,855	\$34,366	\$925,221	VINTON	\$370,906	0	\$370,906
HOLMES	\$957,424	\$12,282	\$969,706	WARREN	\$7,035,340	\$368,830	\$7,404,169
HURON	\$2,707,285	\$218,214	\$2,925,500	WASHINGTON	\$2,366,669	\$117,237	\$2,483,906
JACKSON	\$1,155,742	0	\$1,155,742	WAYNE	\$4,945,478	\$232,207	\$5,177,685
JEFFERSON	\$3,888,788	\$181,409	\$4,070,197	WILLIAMS	\$1,933,882	\$129,198	\$2,063,080
KNOX	\$2,000,099	\$107,675	\$2,107,774	WOOD	\$5,765,410	\$417,021	\$6,182,431
LAKE	\$16,977,754	\$1,133,929	\$18,111,683	WYANDOT	\$1,040,941	\$50,429	\$1,091,371
LAWRENCE	\$1,899,866	\$34,065	\$1,933,931				
LICKING	\$6,600,197	\$309,141	\$6,909,338	<b>TOTAL</b>	<b>\$611,897,591</b>	<b>\$50,016,007</b>	<b>\$661,913,598</b>

<sup>1</sup> Includes dealers in intangibles tax distributions for counties.

<sup>2</sup> Includes \$3,054,986 redirected to the county's fiscal agent.



## Public Library Fund

**T**he 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.

In August 2011, the 129th General Assembly enacted House Bill 153 reducing the amount credited to the PLF to 95% of the amount received during the respective month in the previous year.

During the 2011 calendar year, counties received about \$364.7 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. The formula for calculating the 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.

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the PLF based on 95% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011.
- Must account for \$3,689,401 transfer to OPLIN and \$1,274,194 transfer to Library for Blind in FY 2012.

For the July 2011-December 2011 distribution months, each county is to receive in distribution the same percentage that it received during CY 2010 distributions.

### 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 (FY 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.

### House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)

In 2011, H.B. 153 (the main operating budget bill for fiscal years 2012 and 2013) funded the PLF based on 95% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011.
- Must account for \$3,689,401 transfer to OPLIN and \$1,274,194 transfer to Library for Blind in FY 2012.
- For the July 2011-December 2011 distribution months, each county is to receive in distribution the same percentage that it received during CY 2010 distributions.

Table 1

<b>Library &amp; Local Government Support Fund/Public Library Fund Total Amounts Distributed to Counties: Calendar Years 1988 - 2011</b>				
<b>Calendar Year</b>	<b>Guaranteed Share</b>	<b>Equalization Share</b>	<b>Total Distribution</b>	<b>Percent Change in Total Distribution</b>
1988	\$215,253,994	\$3,009,660	\$218,263,654	5.30 %
1989	226,775,936	24,554,945	251,330,881	15.2
1990	262,655,557	–	262,655,557	4.50
1991	268,793,142	–	268,793,142	2.30
1992 <sup>1</sup>	268,793,142	–	268,793,142	0.00
1993 <sup>2</sup>	276,856,936	7,843,064	284,700,000	5.90
1994	293,810,400	3,172,181	296,982,901	4.30
1995	303,813,180	15,019,721	318,832,901	7.40
1996	329,035,554	13,564,940	342,600,494	7.50
1997	352,535,908	23,461,438	375,997,346	9.70
1998	384,269,286	40,394,095	424,663,381	12.90
1999	431,882,659	23,881,967	455,764,626	7.3
2000	465,355,682	25,664,582	491,000,264	7.70
2001 <sup>3</sup>	–	–	496,458,342	1.10
2002 <sup>4</sup>	–	–	457,671,290	- 7.80
2003 <sup>5</sup>	–	–	452,648,009	- 1.10
2004 <sup>6</sup>	–	–	455,470,323	0.60
2005 <sup>7</sup>	–	–	457,970,324	0.50
2006 <sup>7</sup>	–	–	457,970,324	–
2007 <sup>7</sup>	–	–	457,970,324	–
2008 <sup>8</sup>	450,578,991	–	450,578,991	- 1.67
2009 <sup>9</sup>	370,367,615	–	370,367,615	- 17.8
2010 <sup>9</sup>	347,952,236	–	347,952,236	- 6.10
2011 <sup>10</sup>	349,963,756	14,707,352	364,671,108	4.80

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.

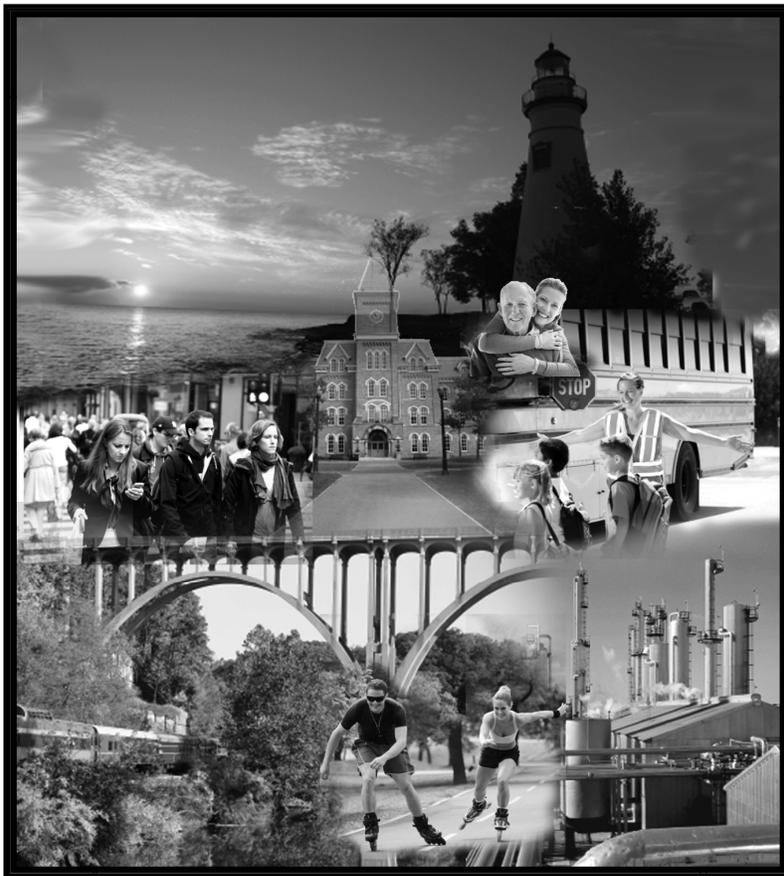
9 Amount of GRF tax revenue deposited into fund is reduced from 2.22 percent to 1.97 percent from Aug. 1, 2009 - June 30, 2011.

10 The 2011 share of excess was applicable for Jan - June 2011 period only due to H.B. 153.

Table 2

Public Library Fund: Calendar Year 2011					
Amount	County	County	Amount	County	County
ADAMS	\$800,375	HAMILTON	\$37,647,070	NOBLE	\$372,974
ALLEN	\$3,337,613	HANCOCK	\$2,376,763	OTTAWA	\$1,248,826
ASHLAND	\$1,551,864	HARDIN	\$928,908	PAULDING	\$598,249
ASHTABULA	\$3,017,973	HARRISON	\$541,399	PERRY	\$979,518
ATHENS	\$1,775,016	HENRY	\$866,859	PICKAWAY	\$1,495,424
AUGLAIZE	\$1,415,340	HIGHLAND	\$1,140,661	PIKE	\$778,592
BELMONT	\$2,148,800	HOCKING	\$806,843	PORTAGE	\$4,411,680
BROWN	\$1,136,054	HOLMES	\$1,053,531	PREBLE	\$1,223,997
BUTLER	\$9,388,486	HURON	\$1,761,858	PUTNAM	\$1,020,994
CARROLL	\$830,195	JACKSON	\$958,934	RICHLAND	\$3,991,004
CHAMPAIGN	\$1,091,793	JEFFERSON	\$2,334,975	ROSS	\$2,151,180
CLARK	\$4,376,927	KNOX	\$1,538,023	SANDUSKY	\$1,869,388
CLERMONT	\$4,889,459	LAKE	\$7,001,451	SCIOTO	\$2,386,620
CLINTON	\$1,172,811	LAWRENCE	\$1,867,955	SENECA	\$1,831,428
COLUMBIANA	\$3,289,238	LICKING	\$4,078,860	SHELBY	\$1,426,361
COSHOCTON	\$1,101,287	LOGAN	\$1,313,749	STARK	\$11,875,482
CRAWFORD	\$1,446,768	LORAIN	\$8,328,050	SUMMIT	\$17,066,327
CUYAHOGA	\$51,058,757	LUCAS	\$14,815,720	TRUMBULL	\$6,875,134
DARKE	\$1,614,948	MADISON	\$1,167,218	TUSCARAWAS	\$2,613,404
DEFIANCE	\$1,186,174	MAHONING	\$8,030,335	UNION	\$1,113,262
DELAWARE	\$2,748,016	MARION	\$1,954,641	VAN WERT	\$907,497
ERIE	\$2,515,451	MEDINA	\$4,095,694	VINTON	\$351,139
FAIRFIELD	\$3,500,215	MEIGS	\$696,767	WARREN	\$4,105,970
FAYETTE	\$838,767	MERCER	\$1,219,058	WASHINGTON	\$1,886,863
FRANKLIN	\$33,232,898	MIAMI	\$2,996,392	WAYNE	\$3,368,973
FULTON	\$1,236,043	MONROE	\$451,052	WILLIAMS	\$1,168,016
GALLIA	\$944,895	MONTGOMERY	\$18,877,387	WOOD	\$3,943,344
GEAUGA	\$3,084,162	MORGAN	\$423,258	WYANDOT	\$680,594
GREENE	\$4,336,937	MORROW	\$884,333		
GUERNSEY	\$1,187,535	MUSKINGUM	\$2,516,327	<b>TOTAL</b>	<b>\$364,671,108</b>

## 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 pursuant to 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 invest-

ment 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.

**House Bill 58, 129th General Assembly, effective March 7, 2011.**

**Job Retention Tax Credit** –The bill amended R.C. 122.171 to expand the existing job retention tax credit program to include a new, refundable job retention credit available to businesses that meet existing program requirements and additional criteria.

**House Bill 153, 129th General Assembly, effective September 29, 2011.**

This bill expanded the use of the refundable job retention tax credit, with amendments to R.C. 122.171. The bill has new language in R.C. 122.171 extending the approval of the refundable job retention credit for calendar years 2011, 2012, and 2013. It limits refundable job retention tax credits granted in 2011, 2012 and 2013 calendar years to an aggregate amount of \$25 million dollars.



## 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

**S**ection 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:

<b>Calendar Year</b>	<b>Rules</b>
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.

In 2011, sales and use tax rules were reviewed and all were determined to be necessary.



## 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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