Ohio

Department Of Taxation
2012 Annual Report

John R. Kasich
Governor

Joseph W. Testa
Tax Commissioner

Ohio | 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 2012 Annual Report of the Ohio Department of Taxation.

This report highlights the department's activities during fiscal year 2012 in compliance with Ohio Revised Code 5703.42. It provides a complete description of the base, rates, and provisions of each of the 22 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,

Joe Testa
Ohio Tax Commissioner

Ohio Department of Taxation
2012
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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Year in Review

Following the lead of Governor John Kasich, the Ohio Department of Taxation's list of accomplishments grew in Fiscal Year 2012 (FY12). Much of that activity rose from an innovative initiative launched by the Governor – the Mid-Biennium Budget Review (MBR) – that engaged every executive agency to draw on the experience and creativity of in-house staff to develop ideas and programs to make state government better and Ohio a better place to live and work.

Budgeting for the Better

Tax Commissioner Joe Testa began the MBR exercise with Department staff in late summer of 2011. He reached out with an invitation to everyone at Taxation, asking for their ideas of how to simplify the state's tax code and make those laws and procedures more taxpayer friendly. That produced a crop of more than 50 proposed changes to Taxation's operation and Ohio's tax laws.

Taxation's MBR input covered everything from improving bookkeeping, to cleaning up statutes, to improving tax administration, to closing tax loopholes. Some ideas suggested minor revisions to existing processes; others proposed changes to Ohio's tax code.

The MBR process took months from beginning to the end, that being legislative approval, deferral, or decline. The final scorecard captured the considerable variety and scale of changes to the system including:

- Closing a loophole that allowed the transfer of ownership interests in a pass-through entity to escape payment of Ohio sales tax if its sole assets are motor homes, planes, boats and other recreational property. The law already prohibited corporations from avoiding taxation of these assets upon transfer of ownership. This prohibition now extends to all corporate structures;
- Requiring all vendors to display their vendor's license. This assures consumers that the vendor is registered with Taxation for the collection of sales tax. Previously, only transient vendors were required to display the license;
- Requiring commercial activity taxpayers to apply the $1 million exclusion to their first quarter gross receipts and carry forward any unused exclusion to subsequent filing periods within the same calendar year. This fix levels the playing field between annual and quarterly taxpayers to ensure all taxpayers are afforded the same annual exclusion;
- For tax preparers, lowering the threshold requiring electronic filing of income tax returns from 75 returns a year to 11 returns, conforming to the current IRS threshold that applies to Ohio tax preparers filing their clients' federal returns. This provision will encourage continued growth in electronic filing, which saves taxpayer dollars spent to key-enter data and handle paper tax returns;
- Allowing Taxation the ability to waive the requirement for motor fuel dealers to buy a bond securing payment of the motor fuel tax if the dealer only sells fuel that is not taxed or has had the tax already paid. This provision allows businesses that operate only in tax-paid product to register more efficiently with Taxation;
- Applying the $50 penalty for dishonored tax payments to electronic payments, as it already applies to paper checks that aren't cashable;
- Removing provisions from the CAT law that became unnecessary, including rate adjustments that related to the phase-in period that expired at the end of fiscal year 2011. When the CAT was first enacted, the General Assembly included three measurement periods to ensure that the new tax met revenue forecasts. The last measurement period concluded on June 30, 2011. Since this language is no longer applicable, the outdated language was removed;
- Allowing Taxation to issue a penalty via assessment against a person acting as an unregistered distributor of other tobacco products (OTP). Previously, OTP retailers selling to persons other than consumers may have been avoiding registering as an OTP distributor. This change allows for civil penalties in addition to the criminal penalties already in existence.

Some items proposed as a result of the MBR process were not completed before legislative recess. Those proposals sought to modernize and simplify Ohio business taxes, while providing significant income tax relief and greater equity for the residents of Ohio. The first proposal called for a revamping of the tax on banks and other financial institutions; the second proposal provided a modernized and multi-tiered severance tax on oil and natural gas extractions, with the proceeds from new severance tax revenues being dedicated to an income tax cut. Future consideration and analysis of these proposals is expected in the months ahead.

Beyond the Budget Review Process

While the MBR process was underway, other new initiatives and the regular routines and processes of Taxation were ongoing and producing some notable milestones in tax history and no small list of changes and accomplishments.

The Department rolled out two tax amnesty programs, completed a major study of the tax appeals process in Ohio, squeezed more savings out of its budget, and drove up the number of returns filed electronically. And those are just some of the higher profile activities.

Gross Casino Revenue Tax Rollout

Ohio's first two casinos opened in May 2012 – the first in Cleveland and a second in Toledo. The Columbus and Cincinnati casinos are expected to open in fiscal year 2013. In FY12, the Department assumed its role as administrator of a tax created through a constitutional amendment passed by voters in 2009. Once all four casinos are fully operational, the gross casino revenue tax is expected to raise several hundred millions of dollars a year, which will be distributed to Ohio's local governments, schools, and other gaming-related programs.

The Department developed the business rules, tax forms, and software applications for this tax and worked closely with the Casino Control Commission and the casinos themselves. The Department also developed web pages to provide the public with information about casino taxes.

In addition, the Department supported changes in the statutes to lower the withholding rate for casino patrons with winnings that meet or exceed the federal withholding threshold. Previously, casino operators were required to withhold at a rate of six percent. This new provision lowers the rate to four percent to better align with the revised withholding tables. The same change was implemented for Ohio's video lottery terminals (VLT). Previously, there was no withholding requirement at those locations. The new provision mirrors the withholding requirements of casino operators. Additionally, the Department supported a change to permit the release of information to the Ohio Lottery Commission for purposes of verifying a lottery sales agent's compliance with the VLT withholding provisions. Finally, a law change was made to clarify the student count information provided to the Department by the Ohio Department of Education so as to properly distribute gross casino revenue tax to schools.

Tax Amnesty x 2

An extended, nineteen-month Consumer's Use Tax Amnesty was the first to launch followed a few months later by a short term, six-week General Tax Amnesty program. The Consumer's Use Tax Amnesty, scheduled to run until May 1, 2013, was designed to help businesses gain a better understanding of the little known tax while encouraging those with outstanding liabilities to register and pay without penalty or interest. The General Tax Amnesty cast a wider net, inviting all taxpayers with unknown liabilities to satisfy those debts without penalty and only pay half the normal interest. The two amnesties together were projected to generate approximately $40 million for the state and local governments and had met expectations by year's end.

Board of Tax Appeals Study

The Tax Commissioner was directed by Ohio lawmakers to study and report back on ways to eliminate a significant backlog of approximately 10,000 tax appeals cases at the Board of Tax Appeals (BTA) that often caused years-long delays in issuing decisions. After surveying and consulting with a broad sample of interested parties, the Commissioner issued a report that included three primary recommendations meant to greatly reduce the backlog: 1) Create a Backlog Assistance Program, which would allow hundreds of the simplest cases to be handled and resolved by Taxation; 2) Create a Small Claims Division within the BTA to handle residential property tax cases with less than $10,000 in dispute; and 3) Direct the BTA to establish a case management schedule and accept appeals submitted electronically. Many of the report's recommendations were incorporated in House Bill 505, which is still pending before the General Assembly.

Taxation's Budget: Even More of Less

Governor Kasich asked all executive departments and agencies to trim 1 percent from their FY12 budget. Taxation dug deeper and thanks largely to lean staffing totals ended the year spending 10.7 percent, or approximately $11.3 million, less than the budget that was in place at the beginning of the year. Taxation finished FY12 spending 16.3 percent less than in the previous fiscal year (General Revenue Funds). Some other significant sources of savings in FY12 included cuts in printing and postage costs, the closing of seven service center offices around the state, less use of intermittent employees, and reduced vehicle maintenance costs.

Electronic Filing of Tax Returns Continued Growing

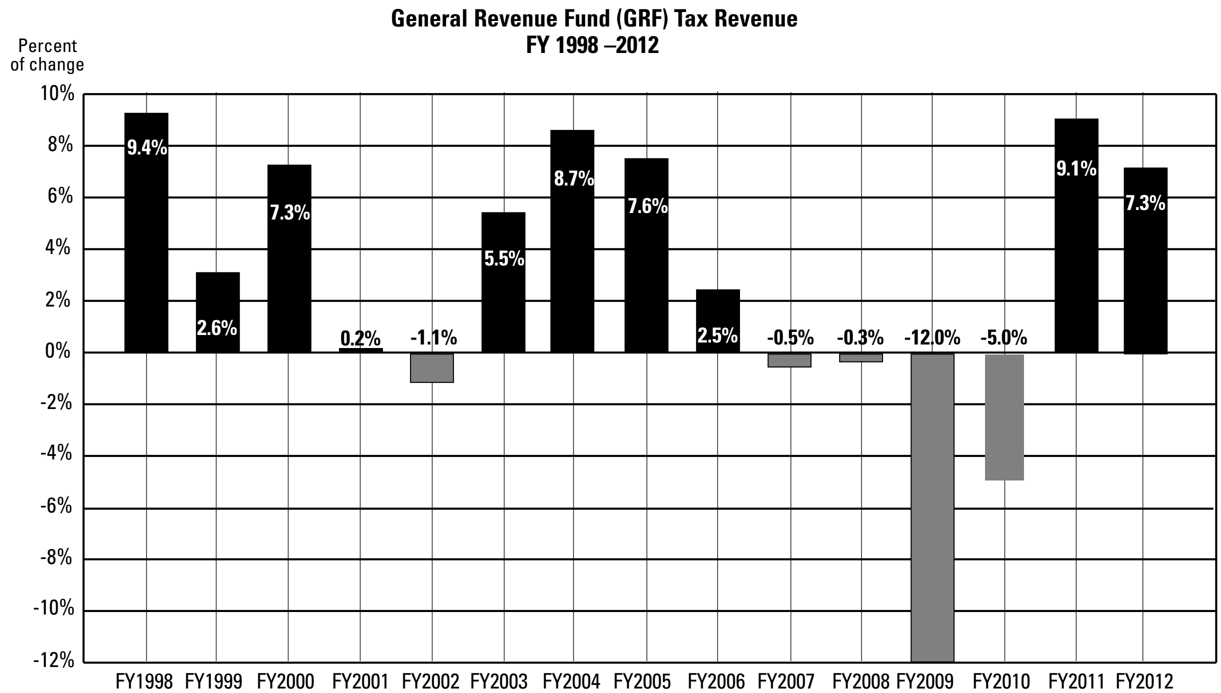
The era of paper tax returns has not fully passed but the end may not be too far in the future. Ohio income taxpayers this most recent filing season pushed the totals of electronic returns over the 80 percent bar for the first time. With the total number of returns filed rising slightly from the previous year, those filing electronically using a tax preparer, tax software, Taxation's I-File or TeleFile systems exceeded 4.2 million returns. The Department expects that number to grow again next year with the new law requiring more tax preparers to file electronically.

Other Notable Initiatives in Fiscal Year 2012

Increased Scrutiny of Tax Credits: The Tax Commissioner, in partnership with the Ohio Department of Development, began a program that expanded the verification process to ensure that taxpayers were complying with the conditions and agreements required to qualify for jobs creation and retention credits, historic preservation, and motion picture credits.

Transition to Telecommuting: Concurrent with the closure of the seven service centers around Ohio, the Department built an infrastructure and procedures to enable more than 250 Tax Audit Agents and Tax Enforcement Agents who had been working at one of those centers to instead telecommute. Those agents work closely with supervisors who are also telecommuters and with their central administrators in Columbus.

InvestOhio: Taxation, in collaboration with the Ohio Department of Development, launched InvestOhio, a program offering investors tax credits as an inducement to invest in Ohio small businesses with hopes of creating more jobs in the state. The program offers credits of up to $100 million which, if utilized, would result in $1 billion of new investment in the companies responsible for most job creation.



GRF tax revenue, 2006-12

(figures in millions)

	Revenue	change
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%
2012	$19,005.2	+7.3%

Responsibilities and Organization of the Department

The Tax Commissioner

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

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

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

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

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

To efficiently perform these functions, the Tax Commissioner is authorized by law to create divisions and sections of employees and organize the work of the department in a manner that, in the commissioner's judgment, will result in an efficient and economical administration of tax laws. The organization chart contained in this chapter indicates the current structure of the department as of June 30, 2012. 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 2012, the department had 1,178 permanent employees. During the fiscal year, the department spent about $125.2 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 inquires about refunds and answers questions from tax practitioners.

During fiscal year 2012, the Taxpayer Services Division handled 795,236 phone calls and 36,244 e-mail queries. Agents also assisted 8,637 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 2012, the Compliance Division certified 179,177 personal income tax and 70,343 school district income tax assessments to the Ohio Attorney General's Office for total certified amounts of $301,288,931 and $23,983,641, respectively.

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

Office of Chief Counsel

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

Tax Appeals Division

The Tax Appeals Division conducts most of the administrative appeal hearings within the department and issues the Tax Commissioner's final determination in these tax matters, which serves as the department's final assessment of the taxpayer. The Tax Appeals Division had 17 hearing officers and supervisors and three support staff as of June 30, 2012, an increase of one hearing officer from fiscal year 2011. In fiscal year 2012, the division had an opening balance of 6,989 cases and received an additional 3,822 during the fiscal year. A total of 7,662 final determinations were finalized, for an end-of-year balance of 3,197 cases on hand. The outstanding inventory of cases has improved from fiscal year 2011, when Tax Appeals started the year with 16,233 cases, received 10,099 more during the year, finalized 9,343 final determinations, and ended with a balance of 16,989 cases.

Appeals Management Division

The Appeals Management Division serves as a liaison with the Attorney General's office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General's office. The Appeals Management Division had 10 employees as of June 30, 2012.

Case information is tracked on a fiscal year basis. As of June 30, 2012, Appeals Management had 1,292 cases on appeal at the Board of Tax Appeals; two in the state appeals court system and six at the Ohio Supreme Court. This was an increase in cases from fiscal year 2011, when the division had 904 cases on appeal at the Board of Tax Appeals, nine in the state appeals court system, 17 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 11 employees as of June 30, 2012.

In fiscal year 2012, the division received 13,024 notices of bankruptcies filed. It processed a total of 4,610 proofs of claim, which amounted to $136,124,156. By comparison, during fiscal year 2011, 13,398 notices of bankruptcy were received and 4,032 proofs of claim were processed amounting to $101,006,356.

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.

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, 2012, the Audit Division completed the following number of audits for each of these tax types:

Tax Type	Total Audits
Sales and Use	1,400
Personal Property	8
Corporation Franchise	477
Pass-Through Entity	668
Employer Withholding	238
Commercial Activity	227
Total	**3,018**

Enforcement Division

The Department of Taxation's Enforcement Division is comprised of 25 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. 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 2011, Enforcement's efforts brought in approximately $7 million. For calendar year 2012, Enforcement efforts are on track to bring in appoximately $9 million in revenue.

Tax Discovery Division

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

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

Through the identification of additional tax liability by Tax Discovery, the department's cash collections were $34.4 million in FY 2012; 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. 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 Tax Processing and Data Capture 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 to the bank so that funds are available for distribution to state and local governments.

As part of this mission, Tax Processing and Data Capture has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2012 calendar year through Nov. 2, 2012, income tax returns transmitted electronically accounted for 4,374,047 of the 5,356,671 total reports or approximately 82% of all income tax reports received. The electronic methods included:

- TeleFile, the ability to submit a return by touchtone telephone. TeleFile was the department's first electronic filing method when it was first offered for the 1997 taxable year. This filing method accounted for 35,231 returns.
- The Internal Revenue Service's e-file program, which became available through tax practitioners and software packages starting in 1999. This filing method included 3,808,510 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 530,306 returns for income tax.
- Ohio eForms was discontinued in calendar year 2012 because of program cost and low use by the public.

School District returns received during calendar year 2012 through Nov. 2, 2012 totaled 766,062 reports. Electronic transmissions accounted for 614,657 or approximately 80% of all reports.

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 Personal 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 assure maximum accuracy and optimum taxpayer experience.

Tax Processing and Data Capture processed approximately 5.6 million paper documents in fiscal year 2012. Listed below is volume by tax type:

Tax Type	Volume
CAT	133,000
Corporation Franchise	18,000
Employer Withholding /EWSD	1,490,000
Personal & School District Income Tax	3,485,000
PTE	150,000
Sales	256,000
Tax Equalization	61,000
Total Documents Processed	**5,593,000**

Additionally, Tax Processing and Data Capture 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 2012, ODT received approximately 1.8 million returns filed through the OBG (see chart below).

Electronic Returns Processed that were Filed Through the Ohio Business Gateway

CAT	265,175
Employer Withholding	430,975
Employer Withholding SD	151,101
Sales	908,322

From businesses, the department also received 60,363 sales tax returns that were filed electronically through eForms and another 97,958 sales tax returns that were filed though TeleFile in calendar year 2012.

Forms Printing Unit

First founded in 1998 as the Forms and Noticing Division with three full-time employees, the objective of the division was to centralize the production and ordering of hundreds of forms utilized by tax practitioners and taxpayers, to bring consistency to the layout and editing of tax forms and instructions, and to develop scanning guidelines for third-party software vendors and payroll processing companies.

In 2012, the now four-member section was renamed the Forms Printing Unit and moved under Personal/School District Income Tax Division. Over 14 years, the unit has:

- created scannable forms for the IT 1040, IT 1040EZ and SD 100 and promoted 2D barcoding, which allow the forms to be quickly and accurately scanned as opposed to being processed by hand;
- developed fill-in versions of many forms, which allow taxpayers to fill out tax forms using their computer;
- reduced the department's printed materials by more than 70%;
- in 2011, consolidated our income tax, school district and TeleFile booklets into one income tax publication;
- streamlined the forms portion of the agency's Web site to allow taxpayers to more easily look up tax forms and instructions.

The unit is currently responsible for composing forms/instructions, distributing forms and maintaining an inventory. The distribution of forms includes both individual (taxpayers and tax practitioners) and bulk fulfillments. The bulk fulfillments include:

- other divisions/sections within the department (i.e., Taxpayer Services and Communications)
- libraries
- post offices
- banks
- senior centers
- Volunteer Income Tax Assistance
- American Association of Retired Persons
- Internal Revenue Service
- other governmental agencies and tax practitioners.

The unit works directly with the business/technical divisions to determine the content of forms and instructions, though it has latitude to edit for readability, consistency and grammatical errors. The unit generally works on an individual basis with divisions to update and edit their forms and instructions on an as-needed basis. However, with regards to the IT 1040, IT 1040EZ, TeleFile and school district income tax forms, a yearly review committee is formed that represents several sections within the agency.

In addition, the unit also acts as a forms liaison with third-party software vendors and payroll processing companies. The unit receives re-creations of our tax forms from vendors and then reviews them for accuracy. If vendors submit payment coupons, those are sent to data entry to be tested on the scanner. In recent years, the unit has revised forms and promoted 2D barcoding to be scanned and imaged by a full-page scanner for more efficient data capture.

The unit ultimately is responsible for making sure that the most up-to-date forms and instructions are available on the department's Web site. The forms section is one of the most visited sections of the agency's Web site: http://tax.ohio.gov/forms/index.stm

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 2012, Revenue Accounting distributed more than $4.6 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 (ended January 2012) 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 following refund donation check-offs: Non-game and Endangered Wildlife, Natural Areas and Preserves, Injured Military, and Historical Society.

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.

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 division 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. The division also administers the department's payment cards, petty cash funds and contracts.

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**, 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.

Office of Agency Performance

The Office of Agency Performance consists of the following areas:

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. The 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.

Organizational Development

Organizational Development coordinates and provides practical and applied professional skills and career development opportunities for all Taxation employees. The division works within the department's tax and administrative divisions to assess their ongoing organizational and staff development needs and then presents or assists with the development and delivery of appropriate and timely training.

Organizational Development coordinates, facilitates and participates in both process improvement initiatives and Kaizen events in-house and for other agencies. Results from these events have substantially saved taxpayer dollars. The division also coordinates the department's involvement in the statewide Public Practice Continuing Legal Education Coalition, including presenting a minimum of two Public Practice CLE seminars per year. Organizational Development also coordinates special projects, conferences, department-wide health and wellness initiatives, corporate citizenship programs and employee recognition programs.

Internal Audit

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 the Office of Agency Performance and has open access to discuss matters directly with the Tax Commissioner's deputies. 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 departmental 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.

Facilities Management

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

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 2012, Information Services worked on various legislated initiatives, including general amnesty, use tax amnesty, and casino tax. The division also provided enhanced taxpayer self services using Taxation's web site, continued to convert various tax forms to allow for electronic scanning enabling quicker forms processing, and enhanced its discovery infrastructure in order to identify non-filers and under reporters.

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. All measured systems were available at least 98% of the time, and most were available more than 99% during fiscal year 2012.

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 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 performs collection activities on delinquent tax accounts.

The state **Office of Budget and Management (OBM)** receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by OBM based on data provided by the Department of Taxation.

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

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

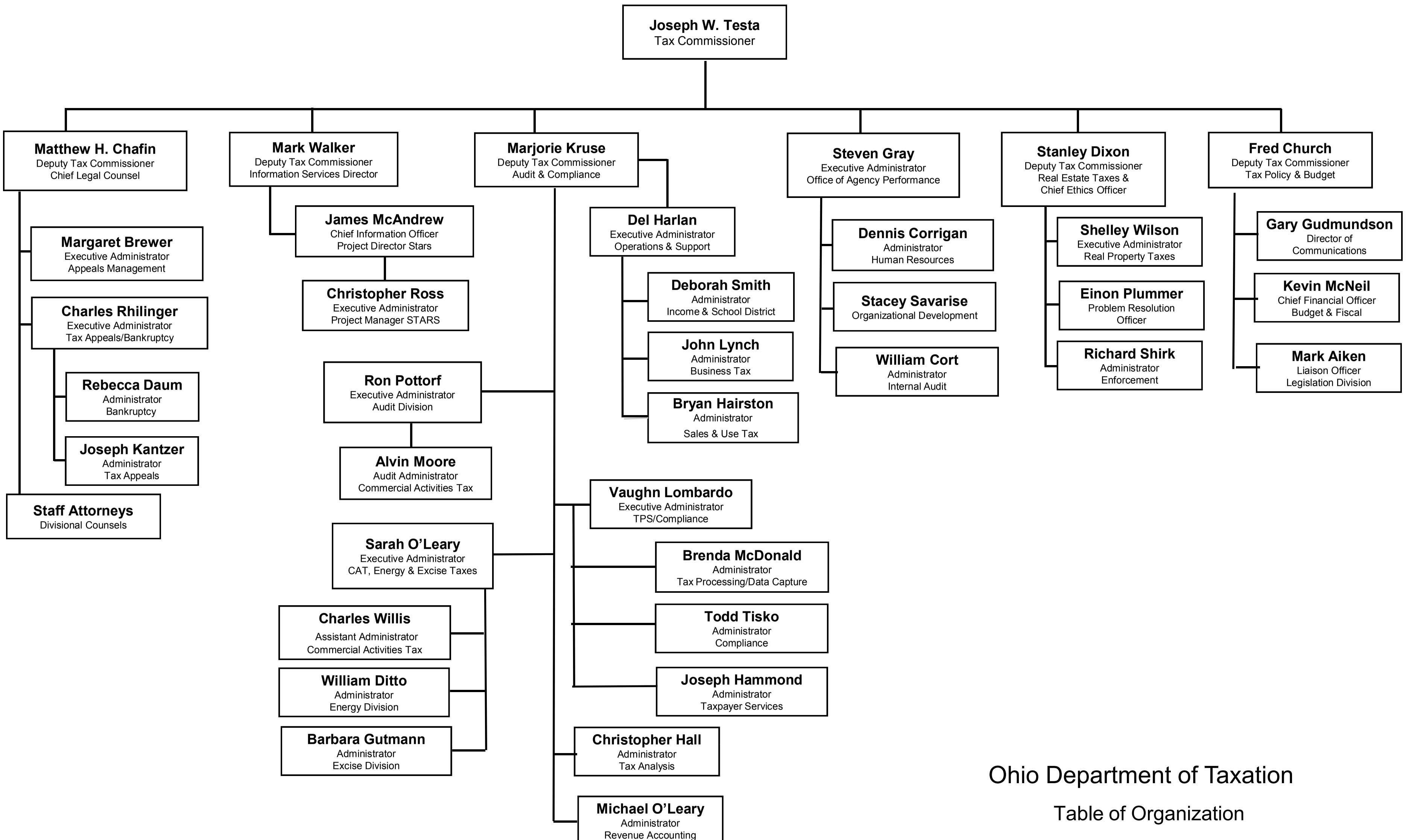
The Department of Taxation and the **Ohio Department of Commerce** share information on businesses with liquor permits according to procedures spelled out in the Ohio Revised Code. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax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

Administrative Tables

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

Ohio's Tax Commissioners, 1939 to present

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



Ohio Department of Taxation

Table of Organization

July 2012

Table 1

Ohio Department of Taxation Staff Structure & Number of Employees: Fiscal Year 2012

Unit of Organization	Number of Employees June 30, 2012
Administrative Divisions	
Tax Commissioner	10
Human Resources	14
Tax Analysis	7
Organizational Development	9
Legislation	3
Communications	3
Business Program Management	4
Total	**50**
Audit	
Administration/Support	19
South Central Region	73
Northwest Region	95
Northeast Region	89
New York	7
Chicago	8
Los Angeles	16
Total	**307**
Budget & Fiscal	**22**
Chief Counsel	**50**
Enforcement	**27**
Facilities Management	**21**
Information Services	**125**
Internal Audit	**2**
Tax Equalization	**20**

Unit of Organization	Number of Employees June 30, 2012
Taxpayer Services Divisions	
Taxpayer Services	106
Compliance	101
Tax Processing & Data Capture	79
Divisions Total	**286**
Commercial Activity, Energy & Excise Tax Divisions	
Administration/Support	2
Commercial Activity Tax	35
Excise Tax	9
Energy Tax	21
Divisions Total	**67**
Personal Income & School District, Business & Sales & Use Tax Divisions	
Administration/Support	8
Forms/Printing	5
Personal Income & School District Tax	64
Business Tax	74
Sales & Use Tax	50
Divisions Total	**201**
Total Permanent Employees	**1,178**

Chart 1

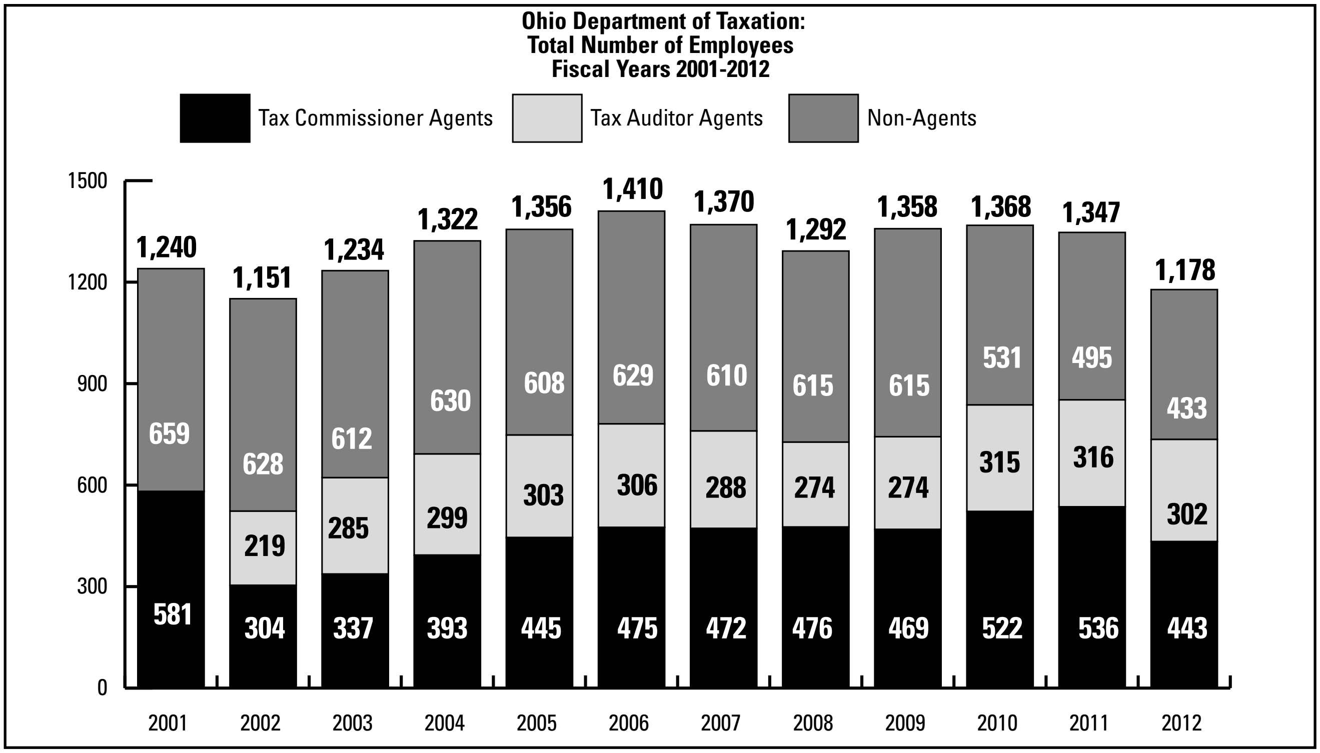


Table 2

Expenditures of the Ohio Department of Taxation By Division: Fiscal Year 2012

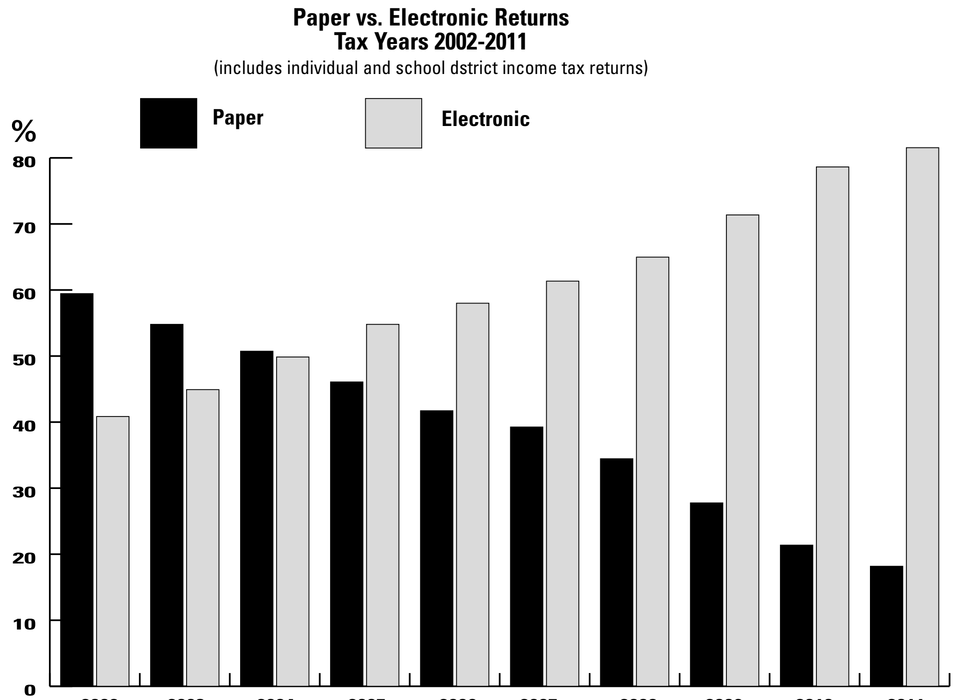
Division	Personal Service	Maintenance	Equipment	Total
Administration	$8,628,850	$1,964,571	$65,316	$10,658,737
Audit	25,524,436	5,880,507	350,916	31,755,859
Business	5,286,612	1,217,968	72,682	6,577,262
Chief Counsel	4,548,129	1,047,831	62,529	5,658,489
Commercial Activity Tax	2,530,153	582,915	34,785	3,147,853
Compliance	5,180,105	1,193,431	71,217	6,444,753
Enforcement	2,440,864	562,344	33,558	3,036,765
Estate	428,589	98,741	5,892	533,222
Excise, Motor Fuel & Pub Utl	2,916,748	671,982	40,100	3,628,830
ISD	19,190,242	3,280,448	195,759	22,666,448
Personal Income & Schl Dist	5,691,711	1,311,298	78,251	7,081,261
Processing	5,417,383	1,248,097	74,479	6,739,959
Sales	3,435,609	791,521	47,234	4,274,363
Tax Discovery	2,112,975	486,803	29,050	2,628,827
Tax Equalization	1,714,488	394,996	23,571	2,133,056
Taxpayer Services	6,598,131	1,520,126	90,713	8,208,970
	$101,645,025	**$22,253,579.51**	**$1,276,051**	**$125,174,655**

Table 3

Ohio Individual Income & School District Income Tax Return Filing: Tax Years 2002 - 2011

State Returns	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Form IT 1040 (Paper)	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	752,607
Form IT 1040 EZ (Paper)	663,406	593,326	491,338	678,362	683,055	520,271	462,551	393,760	307,791	241,881
Total Paper	**3,094,295**	**2,853,151**	**2,610,138**	**2,420,710**	**2,207,039**	**2,122,894**	**1,859,662**	**1,455,766**	**1,140,178**	1,000,647
IRS e-file program	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	3,809,172
Telefile	534,787	435,883	375,944	292,217	227,173	142,087	98,220	67,499	48,710	35,262
I-File	118,444	213,815	303,896	346,302	405,071	413,833	494,013	489,254	504,783	533,425
eForm IT 1040						20,601	21,350	16,630	20,258	n/a
eForm IT 1040 EZ						24,078	20,787	14,183	21,554	n/a
Total Electronic	**2,269,618**	**2,487,357**	**2,749,507**	**2,986,912**	**3,207,814**	**3,439,557**	**3,587,372**	**3,812,322**	**4,160,946**	**4,378,455**
Total State Returns	**5,363,913**	**5,340,508**	**5,359,645**	**5,407,622**	**5,414,853**	**5,562,451**	**5,447,034**	**5,268,088**	**5,301,124**	**5,379,102**
Percentage filed on paper	57.7%	53.4%	48.7%	44.8%	40.8%	38.2%	34%	27.6%	21.5%	18.6%
Percentage filed electronically	42.3%	46.6%	51.3%	55.2%	59.2%	61.8%	66%	72.4%	78.5%	81.4%
School District Returns										
Form SD 100 (paper)	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687	173,843	152,549
Total Paper	**361,426**	**351,214**	**336,504**	**321,717**	**307,221**	**324,053**	**293,600**	**213,687**	**173,843**	152,549
IRS w/SDIT	127,252	151,649	183,777	224,825	266,247	318,190	366,276	443,999	473,693	526,736
I-File			27,479	41,142	56,171	66,077	77,187	82,120	86,280	88,306
eForm SD100						5,023	4,937	4,323	4,924	n/a
Total Electronic	**127,252**	**151,649**	**211,256**	**265,967**	**322,418**	**389,290**	**448,400**	**530,442**	**564,897**	**615,042**
Total School Returns	**488,678**	**502,863**	**547,760**	**587,684**	**629,639**	**713,343**	**742,000**	**744,129**	**738,740**	**767,725**
Percentage filed on paper	74.0%	69.8%	61.4%	54.7%	48.8%	45.4%	39.5%	28.7%	23.5%	19.8%
Percentage filed electronically	26.0%	30.2%	38.6%	45.3%	51.2%	54.6%	60.5%	71.3%	76.5%	80.2%
All Returns										
Grand Total	**5,852,591**	**5,843,371**	**5,907,405**	**5,995,306**	**6,044,492**	**6,275,794**	**6,189,034**	**6,012,217**	**6,039,864**	**6,146,827**
Grand Total Paper	**3,455,721**	**3,204,365**	**2,946,642**	**2,742,427**	**2,514,260**	**2,446,947**	**2,153,262**	**1,669,453**	**1,314,021**	**1,153,330**
Grand Total Electronic	**2,396,870**	**2,639,006**	**2,960,763**	**3,252,879**	**3,530,232**	**3,828,847**	**4,035,772**	**4,342,764**	**4,725,843**	**4,993,497**
Percentage filed on paper	59%	55%	49.9%	45.7%	41.6%	39%	35%	27.8%	21.8%	18.9%
Percentage filed electronically	41%	45%	50.1%	54.3%	58.4%	61%	65%	72.2%	78.2%	80.1%

Chart 2



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Paper Total	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260	2,446,947	2,153,262	1,669,453	1,314,021	1,153,330
Electronic Total	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232	3,828,847	4,033,888	4,342,764	4,725,043	4,993,497
Paper%	59%	55%	49.9%	45.7%	41.6%	39%	35%	27.8%	21.8%	18.9%
Electronic%	41%	45%	50.1%	54.3%	58.4%	61%	65%	72.2%	78.2%	81.1%

Table 4

Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection: Fiscal Years 2011- 2012

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.

	Assessments Levied				Unpaid Assessments Certified for Collection	
	FY 2011		FY 2012			
Tax Category	Amount	Number	Amount	Number	FY 2011	FY 2012
Sales & Use	$598,404,195	168,280	$620,032,924	175,121	$389,054,278	$368,636,274
Motor Vehicle Fuel[2]	7,726,461	53	15,597,866	29	3,151,189	1,099,578
Cigarette	0	0	663,794	21	0	510
Other Tobacco Products	8,840,320	219	910,849	96	2,330,611	1,331,493
Alcoholic Beverage	181,715	80	69,453	83	43,231	36,083
Severance	120,630	61	0	0	0	0
Horse Racing	0	0	0	0	0	0
Replacement Tire Fee	0	0	0	0	0	0
IFTA	358,284	112	677,462	108	528,054	239,247
Kilowatt-Hour[1]	0	0	0	0	0	11,210
Master Settlement Agreement	68,050	79	80,440	52	92,167	121,743
Total	**$615,699,655**	**168,884**	**$638,032,788**	**175,510**	**$395,199,530**	**$371,476,138**

Table 5

Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2011 - 2012

	Fiscal Year 2011		Fiscal Year 2012	
Tax	Amount	Number	Amount	Number
Corporation Franchise	$254,708,598	26,362	$69,283,151	847
Individual Income	400,603,543	192,717	395,791,490	222,341
Total	**$655,312,141**	**219,079**	**$465,074,641**	**223,188**

1 Date of assessment was June 19, 2009.
2 $10,251243.05 of the amount issued, represents five (5) responsible party assessments

Table 6

Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2012

(figures in millions)

Tax	Delinquent Programs	Automated Billing Programs	Assessment Collections	Audit Collections	Desk Exams	Discovery/Nexus	Discovery	Total	% of Total
Sales and Use	$90.2	$20.3	$90.1	$9.9	n/a	n/a	$0	$210.5	33.7%
Corporate Franchise	0	3.0	8.0	14.5	12.2	n/a	n/a	37.7	6.0%
Personal Income	0.7	61.0	112.6	n/a	n/a	n/a	32.7	207.0	33.1%
Employer Withholding	0.3	3.9	9.7	0.3	1.3	n/a	0.6	16.1	2.6%
Commercial Activity Tax	43.9	10.7	30.1	13.9	0	5.4	n/a	104.0	16.7%
Excise	0	0.7	0.2	0	0.2	n/a	n/a	1.1	0.2%
Pass-Through Entity	n/a	n/a	n/a	6.3	7.2	n/a	1.0	14.5	2.3%
School District Income Tax	0.3	3.8	21.5	n/a	n/a	n/a	0.1	25.7	4.1%
Energy	2.9	4.7	0.5	0.1	0.1	n/a	n/a	8.3	1.3%
Total	**$138.3**	**$108.1**	**$272.7**	**$45.0**	**$21.0**	**$5.4**	**$34.4**	**$624.9**	**100%**

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 $24.8 billion in net collections during the 2012 fiscal year (July 1, 2011 through June 30, 2012). 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 $24.8 billion during the fiscal year. This was an increase of approximately $791.4 million from the previous fiscal year, or 3.3 percent. Receipts from locally-collected taxes were approximately $1.0 billion in the 2011 calendar year, an increase of about $25.4 million from the prior year, or about 2.5 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2012. Excluding federal aid, total revenue amounted to approximately $19.8 billion. Of this total, tax revenue represented $19.0 billion.

As the second table shows, the largest single revenue source for the general fund was the individual income tax, with approximately $8.4 billion distributed to the fund. The sales tax was the second largest revenue source, contributing about $8.1 billion. From the 2011 to the 2012 fiscal year, income tax revenue increased by approximately 3.8 percent, and sales tax collections grew by 6.7 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 in succeeding years.

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 $538.0 million in revenue in fiscal year 2012, of which $294.8 million was deposited into the General Revenue Fund. The remaining was distributed to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.4 percent of total General Revenue Fund taxes in fiscal year 2012. Most of the remaining 2.6 percent is comprised of foreign and domestic insurance taxes, which are administered by the Ohio Department of Insurance.

The first pie chart at the end of this chapter illustrates the General Revenue Fund tax sources for the fiscal year. The largest source, individual income tax, accounted for approximately 44.4 percent of tax revenue into the general fund for fiscal year 2012.

The total revenue from all state tax sources amounted to approximately $23.8 billion. The second pie chart shows the taxes that comprise this total.

Further statistical information on most of these taxes is contained in other Department of Taxation publications. Some of these are available at the Department of Taxation's Web site (**tax.ohio.gov**); others can be obtained by contacting the Tax Analysis Division at (614) 466-3960.

Table 1

Collections For Taxes Administered by Ohio Tax Commissioner

This table shows both gross and net tax collections for both state-collected and locally-collected taxes. For state-collected taxes, "gross tax collections" are equal to total taxes collected, including taxes which were later refunded. Net tax collections are equal to gross collections, less all refunds. **Note**: because the data for state-collected taxes is from the state accounting system contained within the Ohio Administrative Knowledge System (OAKS), **the figures here will differ from data shown elsewhere in this report.** Other tables in this report frequently represent taxes reported as shown on returns filed during the fiscal year, rather than actual collections during the fiscal year. For locally-collected taxes, collections are shown on a calendar year, rather than a fiscal year, basis.

	Gross Tax Collections		Net Tax Collections		Percent
State-Collected Taxes	**FY 2011**	**FY 2012**	**FY 2011**	**FY 2012**	**Change, 11-12**
State Sales and Use	$7,840,491,101	$8,370,781,303	$7,767,709,214	$8,272,728,367	6.50%
Local Sales and Use	1,788,376,945	1,881,492,427	1,788,376,945	1,881,492,427	5.21%
Resort Area Excise	826,990	1,005,583	826,990	1,005,583	21.60%
State Personal Income	9,927,820,671	10,820,858,462	8,820,081,867	9,029,657,530	2.38%
Municipal Inc. Tax/Electric Light Cos.	24,262,489	10,784,539	24,262,489	10,784,539	-55.55%
School District Income	347,379,220	367,262,470	325,480,550	347,703,581	6.83%
Corporation Franchise[1]	312,516,576	267,298,017	237,205,103	117,445,711	-50.49%
Commercial Activity Tax[4]	1,523,864,857	1,700,038,894	1,451,603,687	1,655,941,193	14.08%
Dealers in Intangibles	40,784,350	33,364,640	39,600,561	20,249,575	-48.87%
Motor Vehicle Fuel	1,775,802,181	1,702,234,619	1,757,223,923	1,684,208,304	-4.16%
Motor Fuel Use	36,167,631	31,715,980	35,667,239	31,242,793	-12.40%
Public Utility Excise	125,119,842	116,481,205	124,835,990	113,894,222	-8.76%
Kilowatt-Hour Excise	536,019,235	537,948,994	535,988,378	537,948,994	0.37%
Natural Gas Consumption	67,141,739	60,190,655	67,141,739	60,190,655	-10.35%
Cigarette Excise	856,445,985	844,188,367	855,610,371	843,180,381	-1.45%
Local Cigarette Excise	20,303,953	20,117,900	20,288,344	20,089,842	-0.98%
Alcoholic Beverage Excise[2]	56,443,657	58,768,088	56,371,007	58,675,016	4.09%
Local Alcoholic Beverage[2,3]	5,707,109	5,616,092	5,691,500	5,616,092	-1.32%
Replacement Tire Fee	7,155,949	7,328,628	6,735,870	7,271,123	7.95%
Horse Racing	7,571,026	7,121,903	7,571,026	7,121,903	-5.93%
Severance	11,196,862	10,182,190	11,196,862	10,182,190	-9.06%
Estate Tax	72,081,416	66,521,926	72,081,416	66,521,926	-7.71%
Casino Gross Revenue Tax	0	19,760,133	0	19,760,133	N/A
Total State-Collected Taxes	**$25,383,479,785**	**$26,401,063,015**	**$24,011,551,072**	**$24,802,912,081**	**3.30%**

	Tax Collections		Percent
Locally-Collected Taxes	**CY 2010**	**CY 2011**	**Change, 10-11**
Tangible Personal Property[5]	$28,395,825	$0	N/A
Public Utility Property[6]	676,598,501	747,249,291	10.44%
Estate[7]	302,132,985	285,267,557	-5.58%
Total Locally-Collected Taxes	**$1,007,127,311**	**$1,032,516,849**	**2.52%**

Sources: Fiscal year 2011 and 2012 data on state-collected taxes was extracted from the state accounting system (OAKS). Data on locally-collected taxes is based on Department of Taxation's own data sources.

1 For most taxpayers, the corporation franchise tax was phased out over a five-year period, beginning in tax year 2006.
2 Excludes tax on liquor since it is administered by the Ohio Department of Commerce, Division of Liquor Control.
3 Collected for Cuyahoga County.
4 The commercial activity tax was phased in over a five-year period, beginning in fiscal year 2006.
5 The tangible personal property tax was phased out over a four-year period beginning in tax year 2006, except for telephone property which is being phased out over a five year period beginning in tax year 2007.
6 Consists of taxes levied on the tangible personal property of public utilities for collection in the following year.
7 Consists of fiscal year 2009 and 2010 data, respectively (rather than calendar years 2008 and 2009). Reflects both state and local shares of estate tax collections.

Table 2

General Revenue Fund Sources: Fiscal Year 2012	
Major Taxes:	**2012 Collections**
Personal Income	$8,432,909
Sales and Use	8,087,002
Corporation Franchise	117,079
Commercial Activity	417,130
Public Utility Excise	113,894
Kilowatt-Hour Excise	294,829
Cigarette Excise	843,180
Alcoholic Beverage Taxes (including liquor gallonage)	97,052
Subtotal: Major Taxes	**$18,463,266**
Other Taxes:	
Domestic Insurance	189,072
Estate	66,522
Foreign Insurance	266,488
Dealers in Intangibles	19,872
Subtotal: Other Taxes	**541,954**
Total: All Tax Revenue	**$19,005,220**
Non-Tax Revenue	
Earnings on Investments	5,370
Liquor Profits	92,500
Miscellaneous[1]	719,440
Total: Non-Tax Revenue	**$817,310**
GRAND TOTAL	**$19,822,530**

Source: Ohio Office of Budget and Management.

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

Chart 1

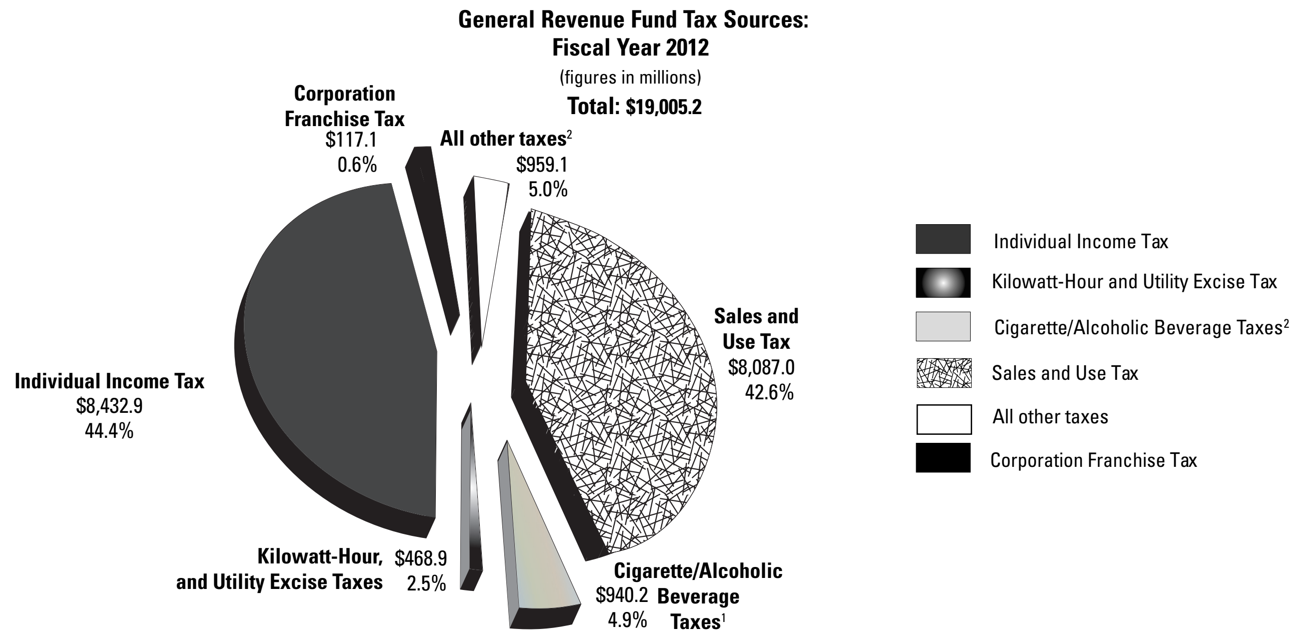
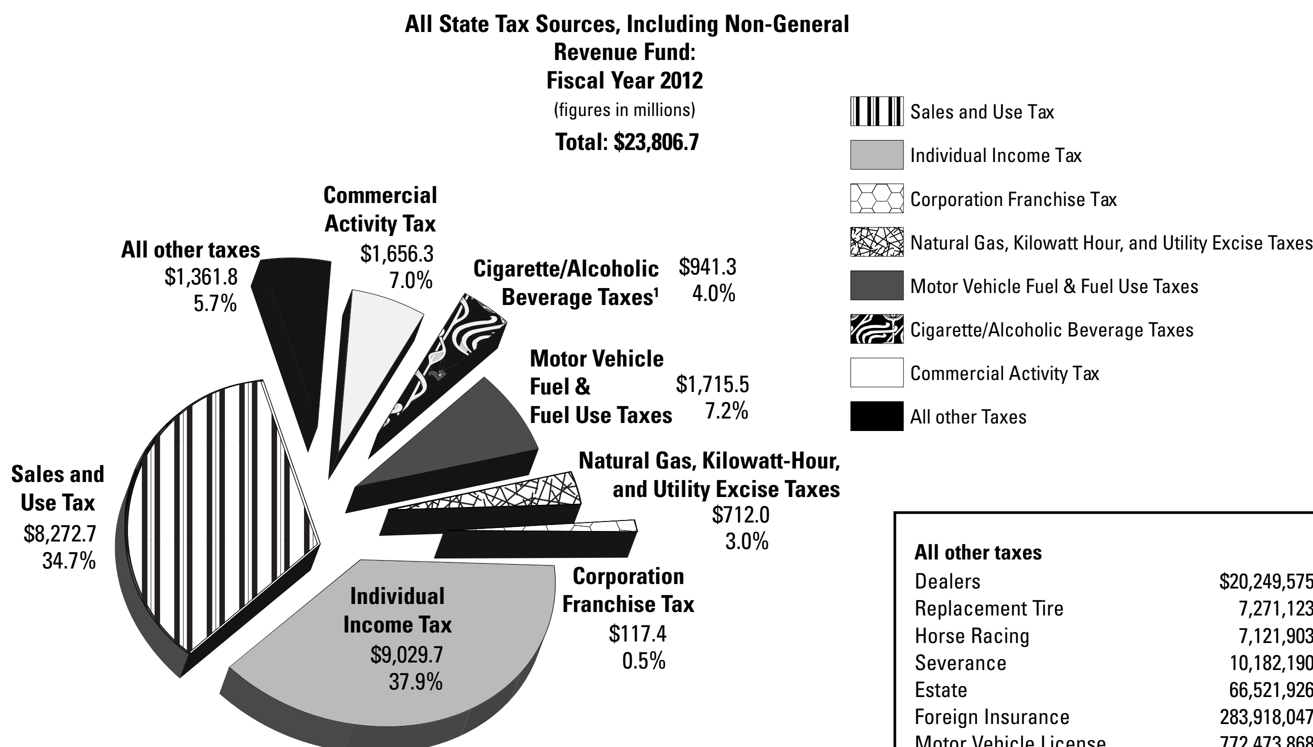


Chart 2



All other taxes	
Dealers	$20,249,575
Replacement Tire	7,271,123
Horse Racing	7,121,903
Severance	10,182,190
Estate	66,521,926
Foreign Insurance	283,918,047
Motor Vehicle License	772,473,868
Domestic Insurance	194,064,296
Total	**$1,361,802,927**

1 Includes tax on liquor of $39.4 million which is administered by the Department of Commerce, Division of Liquor Control.
2 This figure is comprised of domestic insurance, foreign insurance, estate and dealers in intangibles taxes.

Part II: Ohio Taxes

Alcoholic Beverage Taxes

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

Tax payments from excise taxes on beer, wine, cider and mixed beverages totaled approximately $57.6 million in fiscal year 2012. This revenue is distributed to the General Revenue Fund, except for 2 cents of the tax on each gallon of wine, which is designated for the research and study of grapes and grape products under the direction of the Ohio Grape Industries Committee.

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

Taxpayer

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

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

Tax Base

(Ohio Revised Code 4301.01)

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

- Beer is brewed or fermented from malt products. It contains at least 0.5 percent but not more than 12 percent alcohol by volume.
- Mixed beverages are mixtures of wine or distilled spirits with carbonated or noncarbonated flavoring materials. They contain at least 0.5 percent and not more than 21 percent alcohol by volume.
- Wine, including sparkling wine and vermouth, consists of fermented juices of grapes, fruits or other agricultural products. It contains at least 0.5 percent and not more than 21 percent alcohol by volume. By law, wine with less than 4 percent alcohol is not subject to the alcoholic beverage excise tax.
- Cider consists of fermented juices of apples, including flavored, sparkling, or carbonated cider. It contains at least 0.5 percent and not more than 6 percent alcohol by weight.

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

Rates

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

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

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

Exemptions and Refunds

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

Exemptions

The alcoholic beverage tax does not apply to:

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

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

Small breweries

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

Small wineries

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

Filing and Payment Dates

(R.C. 4303.33, 4301.422)

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

Beer permit holders

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

Wine and mixed beverage permit holders

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

County permissive levies

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

Discounts and Additional Credits

(R.C. 4303.33, 4301.422)

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

Beer permit holders

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

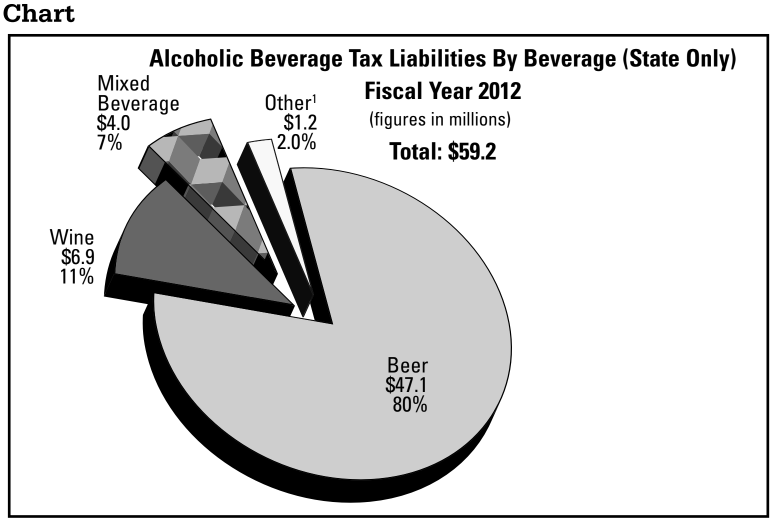
(R.C. 4307.04)

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



1 vermouth, sparkling wine, cider

Table 1

Alcoholic Beverage Taxes, Payments, and Credits
Fiscal Year 2012

Type of Beverage	Gross Tax	Credits and Discounts	Net Tax Receipts
Beer:			
Advance tax payments	$37,513,443	$1,063,193	$36,450,250
Payment with return	$10,206,404	$66,877	$10,139,527
Sub Total	$47,719,847	$1,130,070	$46,589,777
Wine and Mixed beverages:			
Payment with return	$11,393,640	$374,487	$11,019,153
Total	**$59,113,487**	**$1,504,557**	**$57,608,930**

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

Table 2

Alcoholic Beverage Taxes Liability as Reported on Returns
Fiscal Years 2010 - 2012

	Amount of Tax Liability		
Type of Beverage	2010	2011	2012
Beer	$47,217,862	$47,015,281	$47,114,394
Wine 14% or less alcohol	5,268,210	5,227,464	5,588,212
Wine 14-21% alcohol	1,459,393	1,412,514	1,394,923
Mixed beverages	3,386,239	3,636,362	3,958,262
Vermouth	85,092	144,626	70,469
Sparkling wine	904,156	921,244	965,831
Cider	74,789	96,395	134,360
Total	**$58,395,741**	**$58,453,886**	**$59,226,451**

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

Table 3

Cuyahoga County Beer and Wine Liabilities
Fiscal Years 2010 - 2012

Type of Beverage	2010	2011	2012
Beer	$4,170,738	$4,396,108	$4,293,194
Wine	1,207,499	1,294,979	1,322,898
Total	**$5,378,237**	**$5,691,087**	**$5,616,092**

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

Cigarette and Other Tobacco Products Tax

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

In fiscal year 2012, total state receipts from the sale of stamps amounted to over $771.9 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 2012, total net receipts were over $53.4 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 $19.4 million during FY 2012 for sports facilities and the regional arts and cultural district.

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

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

Taxpayer

(Ohio Revised Code 5743.01)

The cigarette tax is paid by:

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

The tax on other tobacco products is paid by:

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

Tax Base

The base of the taxes discussed in this chapter includes:

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

Rates

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

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

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

Exemptions

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

Special Provisions

Discounts (R.C. 5743.05, 5743.52)

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

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

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

Authorized sales (R.C. 5743.20)

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

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

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

Authorized recipients of cigarettes (R.C. 2927.023)

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

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

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

Master Settlement Agreement reports (R.C. 5743.03)

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

Filing and Payment Dates

Method of tax payment

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

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

Filing Dates

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

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

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

Disposition of Revenue

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

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

Administration

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

Ohio Revised Code Citations

Chapter 5743.

Recent Legislation

House Bill 1, 128th General Assembly

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

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

Table 1

Cuyahoga County Cigarette Tax Receipts: Fiscal Years 2008 - 2012

Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
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
2012	19,763,236	355,738	19,407,498

Source: Treasurer of State.

Table 2

Cigarette Tax Receipts: Fiscal Years 2008 - 2012

Fiscal Year	Gross Stamp Tax	Discount	Net Tax Collected
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
2012	785,997,179	14,147,949	771,849,230

Source: Treasurer of State.

Table 3

Other Tobacco Products Tax Receipts: Fiscal Years 2008 - 2012

Fiscal Year	Gross Tax	Discount	Net Tax Collected
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
2012	54,785,902	1,369,648	53,416,254

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

Commercial Activity Tax

The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio, measured by gross receipts. The CAT is paid either quarterly or annually and applies to 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 2012, the CAT produced about $1,656 million in total revenue, including $417.1 million (25.4 percent) for the General Revenue Fund.

Of the amount remaining after 0.85 percent was deposited in the tax reform administration fund, $856.1million (52.2 percent) was deposited in the School District Property Tax Replacement Fund and $367.2 million (22.4 percent) was placed in the Local Government Property Tax Replacement Fund.

The returns due and filed during fiscal year 2012 show that manufacturing taxpayers accounted for the largest share of tax liability, reporting $435.6 million or 27.3 percent of the total while accounting for 10.1 percent of all taxpayers. The retail sector represented the largest group of taxpayers – 12.8 percent – and represented 20.1 percent of total liability. Taxpayers with taxable gross receipts over $100 million accounted for more than half (58.5 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 1.1 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 institutions, which pay the corporation franchise tax;
- insurance companies, which pay the Ohio insurance premiums tax, and certain affiliates of insurance companies; and
- dealers in intangibles, which pay the Ohio dealers in intangibles tax.

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

Tax Base

(R.C. 5751.001(F))

The CAT is a business privilege tax measured by gross receipts sitused 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

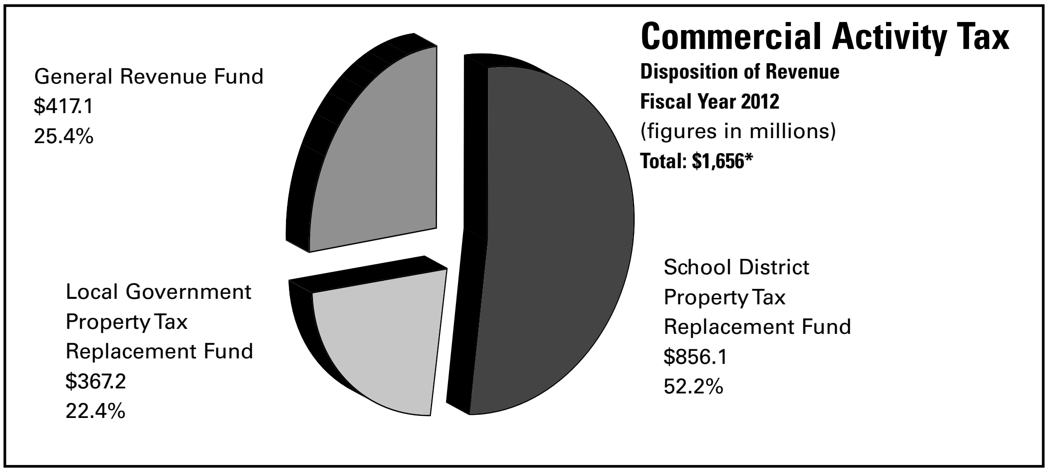
(R.C. 5751.51 – 5751.53, 5751.98)

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.



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 Relacement 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 stablize 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]."

* Includes Attorney General Claims Fund and Tax Reform System Implementation Fund, which together amount to $15.6 million.

Table 1

Fiscal Year 2012 Commercial Activity Tax Returns,
Number of Returns and Reported Financial Data, by Industrial Classification[1]
(Dollar amounts are in thousands)

Industrial Classification	NAICS Code Ranges	Number of Taxpayers	Taxable Gross Receipts	Exclusion[2]	Net Taxable Gross Receipts	Tax at 0.26% Rate	Annual Minimum Tax[3]	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	6,077	$6,814,795	$2,906,649	$3,908,145	$10,161	$919	$11,080	$5	$12	$11,060
Mining	211110-213110	745	5,661,679	432,789	5,228,889	13,595	109	13,704	183	155	13,364
Utilities (excluding telecommunications)	221100-221300	154	16,606,767	100,685	16,506,082	42,916	23	44,939	292	0	42,647
Construction	236110-238900	14,337	32,812,682	7,461,605	25,351,078	65,913	2,083	67,996	26	115	67,791
Manufacturing	311110-339900	15,700	191,748,675	10,966,741	180,781,935	470,033	2,301	472,334	23,809	9,140	435,612
Wholesale Trade	423100-425120	8,802	104,450,216	6,038,690	98,411,527	255,870	1,288	257,158	331	515	256,184
Retail Trade	441110-454390	19,851	136,407,010	11,812,510	124,594,500	323,946	2,900	326,845	349	5,847	320,656
Transportation and Warehousing	481000-493100	4,330	16,082,490	2,446,866	13,635,623	35,453	632	36,084	36	421	35,615
Information (including telecommunications)	511110-519100	1,593	27,575,364	944,703	26,630,661	69,240	229	69,469	2,068	414	66,915
Finance and Insurance	522110-525990	5,535	9,426,081	2,014,278	7,411,802	19,271	808	20,078	0	450	19,631
Real Estate, and Rental & Leasing of Property	531110-533110	12,974	16,430,121	5,732,743	10,697,378	27,813	1,899	29,712	8	0	29,714
Professional, Scientific and Technical Services	541110-541990	14,435	38,066,512	7,262,390	30,804,122	80,091	2,112	82,203	248	1,513	80,394
Management of Companies (Holding Companies)	551111-551112	880	36,313,624	682,092	35,631,532	92,642	128	92,769	746	7,342	84,648
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	3,862	9,203,570	1,957,861	7,245,709	18,839	565	19,403	122	1,165	18,116
Education, Health Care and Social Assistance	611000-624410	11,833	24,831,001	6,988,236	17,842,766	46,391	1,728	48,119	157	0	47,960
Arts, Entertainment, and Recreation	711100-713900	1,515	2,615,628	701,297	1,914,331	4,977	221	5,198	0	0	5,201
Accomodation and Food Services	721110-722410	8,634	15,590,323	4,782,861	10,807,462	28,099	1,264	29,363	173	0	29,215
Other Services	811110-812990	7,947	7,880,069	3,634,394	4,245,675	11,039	1,175	12,214	151	3	12,060
Unclassified	n/a	15,755	13,556,298	6,053,420	7,502,878	19,507	2,290	21,797	22	387	21,379
TOTAL		**154,959**	**$712,072,902**	**$82,920,809**	**$629,152,093**	**$1,635,795**	**$22,672**	**$1,658,467**	**$28,727**	**$27,479**	**$1,598,162**

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2012. 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 2011, November 2011, February 2012 and May 2012 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 2012 Commercial Activity Tax Returns, Number of Returns and Reported Financial Data by Size of Taxable Gross Receipts[1]

(Dollar amounts are in thousands)

Size of FY 2011 Taxable Gross Receipts[2]	Number of Taxpayers	Taxable Gross Receipts	Exclusion[3]	Net Taxable Gross Receipts	Tax at 0.26% Rate	Annual Minimum Tax[4]	Tax Before Credits	Non-refundable Tax Credits	Refundable Tax Credits	Total Tax Due: 0.26% Tax and Minimum Tax
Less than $1,000,000	106,609	$35,412,809	$34,983,121	$429,688	$1,117	$15,306	$16,423	$0	$1,987	$14,457
$1,000,000 - $1,999,999	19,409	27,752,488	19,311,082	8,441,406	21,948	3,054	25,002	22	127	24,857
$2,000,000 - $2,999,999	8,204	19,956,964	8,142,792	11,814,172	30,717	1,244	31,961	46	790	31,135
$3,000,000 - $3,999,999	4,567	15,765,416	4,522,841	11,242,575	29,231	682	29,913	87	1,825	27,994
$4,000,000 - $4,999,999	2,747	12,303,304	2,705,919	9,597,385	24,953	405	25,358	37	294	25,030
$5,000,000 - $9,999,999	6,023	42,076,981	5,928,819	36,148,161	93,985	889	94,874	297	1,311	93,217
$10,000,000 - $24,999,999	4,070	62,640,363	4,015,293	58,625,070	152,425	601	153,027	720	2,698	149,409
$25,000,000 - $49,999,999	1,559	54,340,616	1,544,676	52,795,939	137,269	230	137,500	670	1,766	135,046
$50,000,000 - $99,999,999	867	59,749,207	860,247	58,888,959	153,111	127	153,239	1,828	5,104	146,157
$100,000,000 - $499,999,999	746	151,426,623	748,005	150,678,618	391,764	110	391,875	4,055	5,107	382,356
$500,000,000 - $999,999,999	95	64,731,956	95,000	64,636,956	168,056	14	168,070	4,723	1,192	161,386
$1 billion and above	63	165,916,177	63,014	165,853,163	431,218	9	431,228	16,241	5,277	407,118
TOTAL	**154,959**	**$712,072,902**	**$82,920,809**	**$629,152,093**	**$1,635,795**	**$22,672**	**$1,658,467**	**$28,727**	**$27,479**	**$1,598,162**

1 The total tax liability shown in this table does not match actual commercial activity tax revenues in fiscal year 2012. 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 2011, November 2011, February 2012 and May 2012 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 2012. For example, a taxpayer whose taxable gross receipts were $5 million, $6 million, $4 million, and $7 million, on returns filed in August 2011, November 2011, February 2012 and May 2012, respectively, would have total fiscal year 2011 taxable gross receipts of $22 million, and thereby would be included within the $10-$25 mllion 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 2010 and thereafter, the franchise tax applies only to financial institutions and a relatively small number of other corporations described in Ohio Revised Code 5733.01(G)(1)(b). These corporations were not subject to the phase out and do not pay the CAT.

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

During fiscal year 2012, the corporation franchise tax generated about $117.4 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 2010 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 68 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 nonbusiness 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 (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 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).

House Bill 508, 129th General Assembly (election of calculating base for financial institutions)

-The bill allows qualified financial institutions to elect to calculate the base upon which the tax is imposed by using a single sales apportionment factor.

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:

Ohio taxable value[1] = net value of stock × apportionment ratio

Net income base

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

Ohio Taxable Income[2]	=	Business Income Apportioned to Ohio	+	Nonbusiness Income Allocated to Ohio	–	Ohio Net Operating Loss Carry Forward Deduction

Apportionment ratios and factors

On either tax base, an apportionment ratio[3] 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:

Apportionment ratio = (Property factor × 0.20) + (Payroll factor × 0.20) + (Sales factor × 0.60)

The individual factors are calculated this way:

$$\text{Property Factor} = \frac{\text{Average cost of owned or rented real and tangible personal property used in business in Ohio}}{\text{Average cost of such property used everywhere}}$$

$$\text{Payroll Factor} = \frac{\text{Total compensation paid in Ohio}}{\text{Total compensation paid everywhere}}$$

$$\text{Sales Factor} = \frac{\text{Sales in Ohio}}{\text{Sales everywhere}}$$

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 sitused 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

Corporation Franchise Tax Collections
Fiscal Years 2008-2012

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
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
2012	267,298,017	149,852306	117,445,711

Table 2

Corporation Franchise Tax
Number of Corporations by Tax Base & Industry Classification
Tax Year 2011

Industry	Minimum	Net Worth	Net Income	Total
Finance	245	103	54	402
Insurance	173	37	32	242
Real Estate	67	22	4	93
Rental & Leasing	21	19	11	51
Holding Companies	173	14	12	199
All Other Industries	51	12	14	77
TOTAL	**730**	**207**	**127**	**1,064**

Table 3

Corporation Franchise Tax
Number of Corporations by Tax Base and Tax Liability Class:
Tax Year 2011

Number of Corporations by Tax Base

Tax Liability Class	Minimum	Net Worth	Net Income	Total
Minimum ($50 or $1,000)	730	0	0	730
$51 - $1,000	0	40	25	65
$1,000 - $5,000	0	51	24	75
5,001 - 10,000	0	27	14	41
10,001 - 25,000	0	26	15	41
25,001 - 50,000	0	14	16	30
50,001 - 100,000	0	11	10	21
100,001 - 500,000	0	38	14	52
500,001 - 1,000,000	0	0	3	3
Over $1,000,000	0	0	6	6
TOTAL	**730**	**207**	**127**	**1,064**

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: Minimum	Net Worth	Net Income	Total	Total Non-Refundable and Refundable Tax Credits	Tax Liability After Tax Credits
Finance	$86,350	$4,404,732	$20,186,149	$24,677,231	$6,950,603	$17,943,447
Insurance	63,750	624,424	512,466	1,200,640	39,819	1,186,854
Real Estate	12,850	407,341	193,546	613,737	0	625,233
Rental & Leasing	8,650	707,116	449,846	1,165,612	0	1,187,449
Holding Companies	35,250	853,889	395,413	1,284,552	0	1,306,604
All Other Industries	15,850	294,139	930,040	1,240,029	485,109	779,890
TOTAL	**$222,700**	**$7,291,641**	**$22,667,460**	**$30,181,801**	**$7,475,531**	**$23,029,477**

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: Net Minimum	Net Worth	Income	Total	Refundable Tax Credits	Total Non-Refundable and Tax Liability After Tax Credits
Minimum ($50 or $1,000)	$222,700	$0	$0	$222,700	$604,695	($381,995)
$51 - $1,000	0	13,986	8,631	22,617	480	22,760
$1,000 - $5,000	0	122,156	60,860	183,016	993	186,888
5,001 - 10,000	0	188,506	101,458	289,964	0	297,018
10,001 - 25,000	0	385,373	255,621	640,994	0	658,511
25,001 - 50,000	0	486,511	590,413	1,076,924	25,500	1,074,558
50,001 - 100,000	0	846,607	702,490	1,549,097	6,000	1,581,863
100,001 - 500,000	0	5,248,502	2,584,657	7,833,159	6,837,863	1,163,484
500,001 - 1,000,000	0	0	2,158,530	2,158,530	0	2,173,530
Over $1,000,000	0	0	16,204,800	16,204,800	0	16,254,860
TOTAL	**$222,700**	**$7,291,641**	**$22,667,460**	**$30,181,801**	**$7,475,531**	**$23,029,477**

Table 6

Corporation Franchise Tax
Number of Financial Institutions and Reported Tax Liability, by Type of Institution: Tax Year 2011

Tax Liability Class	Number of Corporations By Type: Banks	Savings Institutions	Other[1]	Total	Tax Liability Before Credits By Type: Banks	Savings Institutions	Other[1]	Total	Refundable & Nonrefundable Tax Credits
Minimum ($50 or $1000)	20	2	18	37	$12,400	$1,050	$4,550	$18,000	$0
$51 - 1,000	1	1	1	5	674	926	1,633	3,233	0
1,001 - 2,000	3	1	3	4	5,556	1730	0	7,286	0
2,001 - 3,000	4	12	0	7	11,038	5,405	2,443	18,886	0
3,001 - 4,000	3	0	2	4	9,731	0	3,606	13,337	0
4,001 - 5,000	0	0	0	2	0	0	9,388	9,388	0
5,001 - 10,000	8	3	1	11	54,730	24,009	0	78,739	0
10,001 - 15,000	6	2	0	10	75,039	24,695	22,506	122,240	0
15,001 - 20,000	1	0	2	1	17,874	0	0	17,874	0
20,001 - 25,000	10	0	2	10	226,720	0	0	226,720	3,253
25,001 - 30,000	2	1	0	5	59.426	29,336	55,695	144,457	0
30,001 - 35,000	2	3	0	5	62,280	95,599	0	157,879	3,421
35,001 - 50,000	11	5	0	16	462,781	216,450	0	679,231	17,226
50,001 - 100,000	39	17	2	58	3,018,235	1,359,098	177,838	4,555,171	188,947
100,001 - 200,000	50	23	3	76	6,963,532	3,277,449	419,700	10,660,681	329,708
200,001 - 500,000	60	19	0	79	19,005,716	6,496,637	0	25,502,353	644,360
500,001 - 1,000,000	18	5	0	23	13,202,630	3,586,142	0	16,788,772	69,737
Over $1,000,000	19	6	0	25	108,083,012	13,762,210	0	121,845,222	7,003,960
TOTAL	**257**	**93**	**34**	**378**	**$151,271,374**	**$28,880,736**	**$697,359**	**$180,849,469**	**$8,260,612**

1 Primarily credit agencies that accept deposits.

Dealers in Intangibles Tax

Since 1931, Ohio law has provided for the taxation of shares in and capital employed by dealers in intangibles. The rate has been set at 8 mills since 1987.

During the 2012 calendar year, tax assessments on dealers in intangibles resulted in collections of approximately $16.9 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 2012, qualifying dealers generated an additional $15.9 million for the General Revenue Fund.

Taxpayer

(Ohio Revised Code 5725.01)

The tax is paid by firms having an office in Ohio and engaged in:

- lending money;
- discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness; or
- buying or selling bonds, stocks, or other investment securities.

Tax Base

(R.C. 5725.13)

The tax base for dealers in intangibles is:

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

In order to be considered a dealer in intangibles, a person must have an actual place of business in Ohio. For dealers in intangibles with offices in more than one state, the tax base is apportioned 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 eliglble 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. Effective September 10, 2012 and pursuant to Amended Substitute House Bill 487, the Tax Commissioner will collect the dealer in intangibles tax when the taxpayer files the tax return with payment enclosed.

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 and collects the tax due.

Ohio Revised Code Citations

Chapters 5707, 5719, and 5725.

Table 1

Dealers in Intangibles Taxes Levied, Calendar Years 2008-2012

Distribution	2008	2009	2010	2011	2012
Qualifying dealers	$15,127,427	$17,203,287	$18,859,633	$18,458,581	$15,852,756
Other Dealers	$18,527,872	$19,630,318	$21,501,487	$19,674,792	$16,881,946
TOTAL	**$33,655,299**	**$36,833,605**	**$40,361,120**	**$38,133,373**	**$32,734,702**

Estate Tax

The Ohio Estate Tax has been repealed for individuals dying on or after Jan. 1, 2013 (see House Bill 153, 129th General Assembly). 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 $351.8 million in revenue for fiscal year 2012. Most of the revenue – about $285.3 million worth – was distributed to local governments. The balance was distributed to the state General Revenue Fund.

Taxpayer

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

Resident estates

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

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

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

Nonresident estates

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

Tax on nonresident estates is determined by:

- calculating tax which would be due from the estate, at a rate applicable to resident estates, if the decedent had died a resident of Ohio with all property situated or located in Ohio; and
- multiplying the resulting amount by a fraction representing the ratio of gross estate value attributable in Ohio to gross estate value wherever situated.

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 Jan. 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 Jan. 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 Jan. 1, 2013, no return shall be filed for estates of decedents dying on or after Jan. 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.

Recent Legislation

House Bill 153, 129th General Assembly

Repeals the Ohio estate tax for individuals dying on or after Jan. 1, 2013. Also, 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 Jan. 1, 2013.

House Bill 508, 129th General Assembly,

Eliminates the requirement, with respect to decedents dying on or after Jan. 1, 2013, that written permission be obtained from the Tax Commissioner before certain assets of a decedent may be transferred to another person.

Table 1

Estate Tax Collections and Distributions[1]
Fiscal Years 2008 - 2012

(figures in millions)

State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent the total tax collected from estates as recorded in each year's two semi-annual settlements, net of the state's share of those collections. Local government figures also include county auditor and treasurer administrative fees. Effective Jan. 1, 2002, the state share is 20% and the local share is 80%.

Fiscal Year	Total Collections	State General Revenue	Local Governments
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
2012	351.8	66.5	285.3

1 Total estate tax collections for a given fiscal year, presented here in Table 1, do not match with total tax liability from returns finalized in the same fiscal year, presented in Tables 2 and 3 of this section. The figures reflect two very different measures: one represents total collections irrespective of finalization status, and the other shows the tax for those taxable estates whose final tax liability was determined during the fiscal year.

Table 2

Distribution of Taxable Estates, Gross and Net Values, and Tax Liability by Net Taxable Value Brackets, Fiscal Year 2012

(resident estates only)

Data shown here are summarized from returns finalized by the Estate Tax Division in fiscal year 2012. This data differs from Table 3 due to 7 estates, which have a combined tax liability of $85,086, that are not assigned to a particular county and are missing from Table 3.

Net Taxable Value[1]	Number of Estates	Aggregate Gross Value	Aggregate Net Taxable Value	Aggregate Tax Liability
$338,333 and under	25	$4,547,747.39	$3,140,421	$68,865
338,334 - 400,000	1,062	493,044,248	390,820,312	1,904,019
400,001 - 500,000	1,323	697,496,120	591,500,379	8,646,523
500,001 - 700,000	1,797	1,220,256,550	1,061,125,702	28,821,999
700,001 - 1,000,000	1,360	1,279,552,384	1,127,987,134	44,551,099
1,000,001 - 3,000,000	1,563	3,064,180,982	2,399,709,816	128,462,587
3,000,001 and over	360	4,253,174,838	3,598,787,415	242,807,119
Total	**7,490**	**$11,102,252,869**	**$9,173,071,178**	**$455,262,211**

1 Relative to previous years, the net taxable value brackets have been changed in order to provide greater detail, and to update the table in accordance with the $13,900 credit which effectively exempts estates with a net taxable value of up to $338,333 (if the date of death was on or after January 1, 2002). The relatively small number of estates shown in this table whose net taxable values are below $338,334 all have dates of death before January 1, 2002.

Table 3

Number of Estates, Aggregate Gross and Net Taxable Values, and Tax Liability, by County of Probate, Fiscal Year 2012[1]
(resident estates only)

County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability	County	Number of Estates	Gross Estate Value	Net Taxable Value	Tax Liability
Adams	9	$33,469,916	$11,762,297	$596,900	Logan	25	$27,428,468	$25,781,765	$1,178,238
Allen	75	91,748,144	76,435,243	3,476,434	Lorain	182	170,602,979	159,270,207	6,588,418
Ashland	36	37,918,574	35,207,681	1,565,816	Lucas	259	310,894,204	249,996,758	11,083,619
Ashtabula	45	36,413,252	33,947,584	1,262,568	Madison	26	28,860,167	25,179,101	1,116,335
Athens	23	17,928,265	16,317,148	567,540	Mahoning	181	230,791,880	40,151,231	5,329,562
Auglaize	48	41,444,755	37,866,441	1,449,475	Marion	34	46,620,951	40,174,503	1,961,394
Belmont	47	52,048,399	46,521,283	2,076,303	Medina	103	102,298,748	91,307,859	3,825,388
Brown	27	23,553,597	21,511,259	829,922	Meigs	8	4,016,917	3,796,626	68,649
Butler	182	289,886,540	259,180,961	13,587,256	Mercer	35	33,971,773	29,797,040	1,211,763
Carroll	18	28,066,656	23,450,029	1,195,216	Miami	60	60,875,573	51,984,063	2,141,308
Champaign	24	66,300,109	25,523,139	1,183,545	Monroe	10	8,307,883	7,593,606	280,005
Clark	63	65,506,794	54,132,560	2,216,889	Montgomery	365	1,241,322,423	1,162,560,863	72,261,520
Clermont	82	138,784,994	100,413,824	4,982,520	Morgan	5	2,678,947	2,390,864	43,742
Clinton	34	38,229,796	27,376,684	1,069,869	Morrow	11	11,548,637	10,686,169	473,292
Columbiana	36	51,151,368	48,795,241	2,514,149	Muskingum	41	65,839,662	51,501,947	2,578,322
Coshocton	26	29,817,341	27,392,629	1,265,054	Noble	7	4,877,448	4,104,087	11,732
Crawford	36	47,427,409	45,487,588	2,282,778	Ottawa	46	82,972,398	69,235,046	3,717,347
Cuyahoga	1,016	1,707,761,999	1,317,571,195	66,870,498	Paulding	21	19,389,189	18,426,619	762,619
Darke	37	27,009,800	24,877,578	820,106	Perry	12	10,881,464	9,310,300	370,774
Defiance	33	31,992,918	28,887,936	1,192,899	Pickaway	21	29,587,188	19,240,252	818,917
Delaware	88	191,894,515	107,970,732	5,352,957	Pike	7	4,651,047	3,834,351	95,235
Erie	68	102,826,019	88,811,044	4,514,134	Portage	69	93,298,262	84,398,316	4,178,444
Fairfield	83	83,507,543	73,598,089	3,075,348	Preble	30	28,771,821	24,317,496	952,547
Fayette	27	40,842,975	32,431,128	1,589,649	Putnam	25	27,331,719	22,547,972	959,490
Franklin	608	899,004,275	769,619,616	38,693,632	Richland	85	78,461,458	66,699,943	2,555,561
Fulton	37	27,944,977	25,418,897	857,490	Ross	52	50,263,288	45,413,218	1,881,069
Gallia	18	34,710,947	18,206,182	822,757	Sandusky	41	34,690,510	30,254,993	1,092,954
Geauga	71	145,405,897	128,309,130	7,195,993	Scioto	36	38,310,524	33,970,663	1,477,824
Greene	99	99,876,841	92,377,934	4,004,462	Seneca	42	31,173,272	28,265,988	949,546
Guernsey	18	10,110,578	9,709,566	232,966	Shelby	33	25,273,404	22,544,761	756,436
Hamilton	759	1,373,310,164	1,092,655,814	57,564,003	Stark	236	270,707,543	226,729,574	9,974,284
Hancock	85	112,345,774	101,838,944	5,002,223	Summit	363	528,539,997	470,071,804	23,821,103
Hardin	23	25,722,973	21,995,520	966,318	Trumbull	107	117,098,301	93,761,749	3,910,717
Harrison	15	23,151,643	20,319,528	1,048,996	Tuscarawas	61	106,904,529	96,346,549	5,220,076
Henry	34	26,544,493	22,990,867	765,452	Union	14	15,694,010	11,750,380	471,229
Highland	23	27,165,938	25,534,455	1,210,087	Van Wert	34	32,617,064	27,562,656	1,080,187
Hocking	14	12,053,033	11,078,199	424,953	Vinton	4	4,444,821	4,081,811	185,627
Holmes	20	19,005,330	16,999,057	690,105	Warren	107	110,727,916	99,657,800	4,298,093
Huron	31	21,762,373	20,719,825	675,125	Washington	36	31,674,481	28,131,197	1,091,984
Jackson	7	9,335,482	8,934,222	450,874	Wayne	99	100,633,922	83,782,246	3,396,059
Jefferson	33	28,813,416	27,138,487	1,073,321	Williams	27	29,648,731	25,365,920	1,098,346
Knox	39	34,507,618	30,712,874	1,173,917	Wood	99	100,890,413	89,628,008	3,813,124
Lake	198	255,257,691	208,336,410	9,630,483	Wyandot	17	16,418,773	15,217,308	660,315
Lawrence	13	10,564,965	9,763,112	358,740	Licking	99	155,238,327	134,686,865	6,954,212
					Total	**7,483**	**$10,999,357,120**	**$9,169,638,405**	**$455,177,125**

1 Data shown here are summarized from returns finalized by the Estate Tax Division in fiscal year 2012. This data differs from Table 2 due to 7 estates, which have a combined tax liability of $85,086, that are not assigned to a particular county and are missing from this table.

Gross Casino Revenue Tax

Ohio voters passed a constitutional amendment in 2009 that provides for four casino facilities to be located in this state: Cleveland, Toledo, Columbus, and Cincinnati. The first three casinos (Cleveland, Toledo and Columbus) opened in calendar year 2012.

The Ohio Casino Control Commission is responsible for licensing and regulating casino operators, their employees, and gaming-related vendors. The Ohio Department of Taxation is responsible for administering the gross casino revenue tax and for ensuring compliance with all pertinent state tax laws, as well as administrative rules and policies as they apply to other taxes administered by the Department of Taxation.

The gross casino revenue tax is imposed on licensed casino operators at the rate of 33%. "Gross casino revenue" is the total amount of money exchanged for tokens, chips, and tickets at a casino facility, less any winnings paid out to wagerers. In fiscal year 2012, total state receipts were $19.8 million.

Taxpayer

(Ohio Revised Code 5753.01)

The tax is paid by operators of the four casinos authorized by Article XV, Section 6(C) of the Ohio constitution.

Tax Base

(Ohio Revised Code 5753.02)

The tax applies to all gross casino revenue received by each casino operator. "Gross casino revenue" means the income of casinos after paying out prizes but before payment of expenses.

Rates

The tax rate is equal to 33% of an operator's gross casino revenue.

Major Exemptions

None.

Revenue

Tax collections received during the second quarter of calendar year 2012 totaled $19.8 million.

Disposition of Revenue

(Ohio Revised Code 5753.03)

Revenue from the tax will be distributed as follows:

- 51% to the Gross Casino Revenue County Fund, where it is distributed according to the population of each Ohio county. In counties whose largest city has a population greater than 80,000, revenue from this fund is split evenly between county government and the largest city. In other counties, all revenue is directed to county government;
- 34% to the Gross Casino Revenue County Student Fund, where it is distributed to public school districts based on student population;
- 5% to the host city where a casino is located;
- 3% to the Ohio State Racing Commission;
- 3% to the Ohio Casino Control Commission. Of this amount, one cent of every dollar is reserved for tax administration costs;
- 2% to the Problem Casino Gambling and Addictions Fund to support efforts to alleviate problem gambling and substance abuse and to fund related research;
- 2% to the Ohio Law Enforcement Training Fund. Of this amount, 85% is directed to the Ohio Peace Officer Training Academy and the remainder is directed to the Department of Public Safety's Office of Criminal Justice Services.

Payment Dates

(Ohio Revised Code 5753.04)

The operators of each casino facility are required to file returns and to remit payments for the related tax liabilities each day that banks are open for business. Each return reflects casino gaming activity over a 24-hour period.

Sections of the Revised Code

Chapter 5753.

Responsibility for Administration

(Ohio Revised Code 5753.09)

The Tax Commissioner administers the tax.

The Ohio Casino Control Commission regulates casinos.

History of Major Changes

2009 Ohio voters approve an amendment to the Ohio Constitution authorizing one casino each in Cincinnati, Cleveland, Columbus and Toledo. The amendment also requires a 33% tax on gross casino revenue.

2010 In June, the General Assembly passes Am. Sub. H.B. 519, which implemented the tax on gross casino revenue.

Table

Gross Casino Revenue Funds		
Fund	**Fund Amount**	**% Share of Total Collections**
Host City Fund (5JJ0)	$988,007	5.00%
Student Fund (5JH0)	$6,718,445	34.00%
County Fund (5JG0)	$10,077,668	51.00%
Casino Control Commission Fund (5HS0)	$592,804	3.00%
Ohio State Racing Commission Fund (5JK0)	$592,804	3.00%
Law Enforcement Training Fund (5JN0)	$395,203	2.00%
Problem Gambling & Addictions Fund (5JL0)	$395,203	2.00%
Total July 2012 deposits	**$19,760,134**	100.00%

Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2012, the tax generated close to $7.3 million in revenue (on $233 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 from the base 3 percentage point tax on exotic wagering
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.46 percent[1] on harness races.
Ohio Standardbred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

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

Administration

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

Ohio Revised Code Citations

Sections 3769.08 and 3769.087.

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

Chart

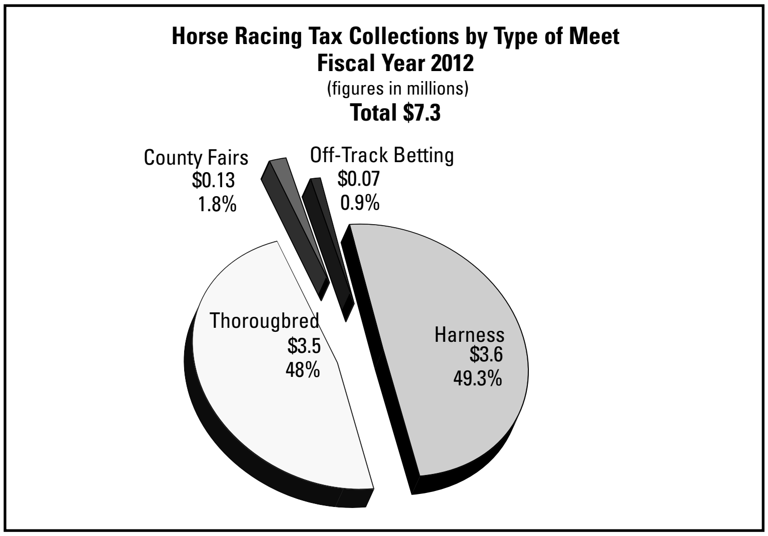


Table 1

Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2008 - 2012

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
Pari-Mutuel Wagering						
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
2012	111,796,689	115,116,583	3,052,714	132,109	3,027,697	233,125,792
Pari-Mutuel Wagering Net Tax Receipts						
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
2012	3,484,102	3,569,107	131,476	3,204	68,997	7,256,886

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distibution of Receipts: Fiscal Year 2012

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
Number of Meets	**892**	**1,232**	**139**	**9**		**2,272**
Total Pari-Mutual Wagering	**$111,796,689**	**$115,116,583**	**$3,052,714**	**$132,109**	**$3,027,697**	**$233,125,792**
Exotic Wagering[1]	75,309,615	83,673,452	1,853,859	80,792	2,315,919	163,233,637
Total Tax Levied	**$3,882,103**	**$4,237,305**	**$131,476**	**$3,204**	**$68,997**	**$8,323,085**
Less Tax Abatements:						
Capital Improvement		**152,824**				152,824
Major Capital	400,103	515,375				915,478
Net Tax Collected	**$3,482,000**	**$3,569,106**	**$131,476**	**$3,204**	**$68,997**	**$7,254,783**
Deferred Abatement[2]	$73,377	$43,707				$117,084
Distribution of Receipts:						
Agricultural	$254	$2,068	$69,261	$0		$71,583
Standardbred Devel. Fund	0	940,584	23,554	0		964,138
Quarter Horse Special Acct.	16,621	0	71	716		17,408
Ohio Fairs Fund	579,024	490,322	19,899	601		1,089,845
Thoroughbred Special Acct.	1,119,384	342,139	152	0		1,461,675
Operating Fund	889,436	861,430	18,539	927		1,770,332
Passport Fund	877,282	932,563	0	960	$68,997	1,879,802
Total Amount	**$3,482,000**	**$3,569,106**	**$131,476**	**$3,204**	**$68,997**	**$7,254,783**

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 2012, total net collections exceeded $9.0 billion. Of that amount, more than $8.4 billion was directed to the General Revenue Fund, where it represented about 44.4 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 2012 taxable year (see table at right), the income tax includes nine brackets ranging from 0.587 percent on the first $5,200 of taxable income to 5.925 percent on taxable income in excess of $208,500. 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 2010 Ohio individual income tax returns (filed in 2011). The data shows that more than 5.2 million taxpayers filed tax returns, reporting total federal adjusted gross income of approximately $337.7 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 taxable year 2012, each taxpayer receives a personal exemption and an exemption for each dependent of $1,700, up from $1,650 in taxable year 2011.
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)

Individual income tax rates for the 2012 taxable year are as follows:

Ohio Taxable Income	2012 Ohio Tax	
0 – $ 5,200		0.587%
$ 5,200 – $ 10,400	$30.52, plus 1.174% of excess over	$5,200
$ 10,400 – $ 15,650	$91.57, plus 2.348% of excess over	$10,400
$ 15,650 – $ 20,900	$214.84, plus 2.935% of excess over	$15,650
$ 20,900 – $ 41,700	$368.93, plus 3.521% of excess over	$20,900
$ 41,700 – $ 83,350	$1,101.30, plus 4.109% of excess over	$41,700
$ 83,350 – $104,250	$2,812.70, plus 4.695% of excess over	$83,350
$104,250 – $208,500	$3,793.96, plus 5.451% of excess over	$104,250
more than $208,500	$9,476.63, plus 5.925% of excess over	$208,500

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 tax year 2012 (returns filed in 2013), a $1,700 personal exemption is available for each taxpayer and for each dependent of the taxpayer, up from $1,650 in tax year 2011. 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, through Dec. 31, 2012, 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 file electronically. Effective Jan. 1, 2013, tax return preparers who file more than 11 original income tax returns, reports, or other tax payment documents, must file electronically.

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 2012, 93.4 percent of revenue from the state income tax – or $8,432.9 million – was distributed to the General Revenue Fund. The rest was distributed to the Local Government Fund (6.5 percent or $584.3 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 postsecondary 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.

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

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

Tables and Charts

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

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

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

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

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

Chart 1

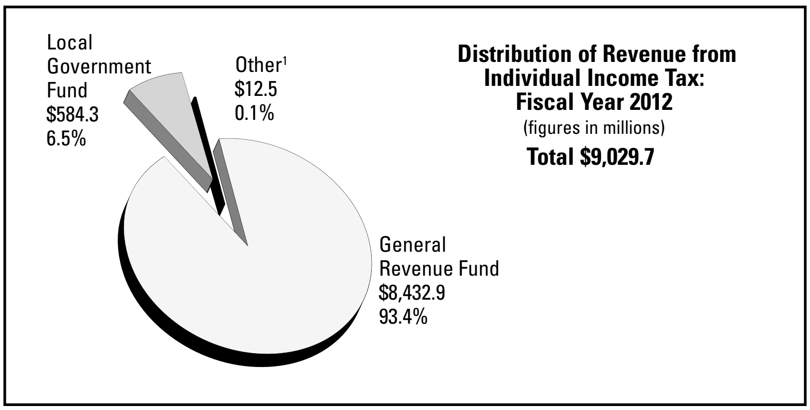
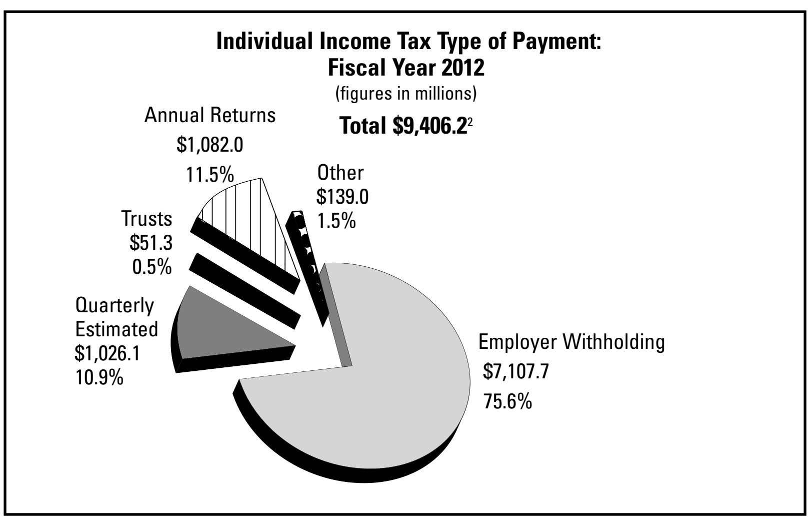


Chart 2



Source: Department of Taxation.

1 Includes Attorney General collections and political party contributions which amount to $12.5 million.

2 Includes $1,233.0 million refunded back to taxpayers

Chart 3

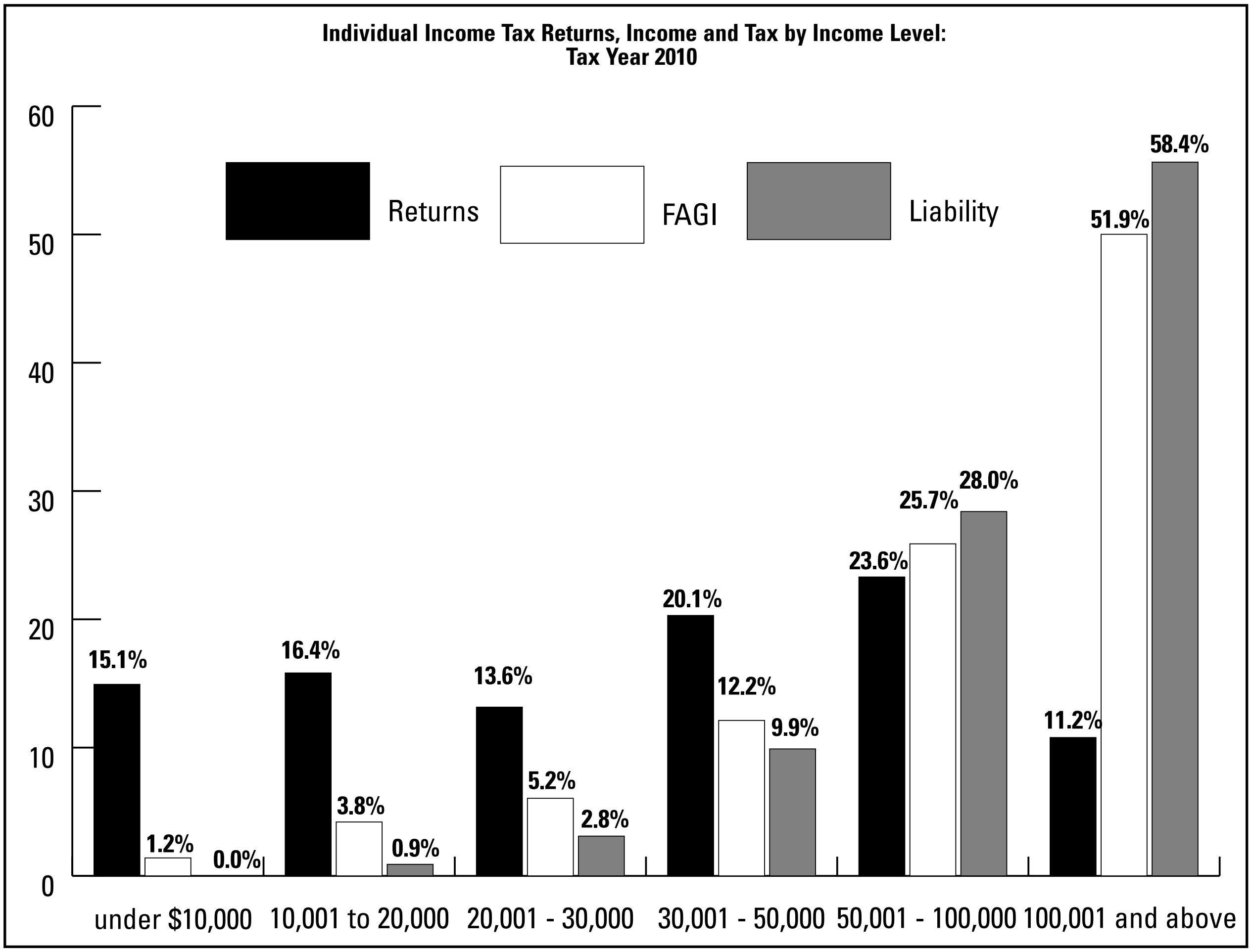

Individual Income Tax Returns, Income and Tax by Income Level:
Tax Year 2010
Returns
FAGI
Liability
60
50
40
30
20
10
0
15.1%
1.2%
0.0%
16.4%
3.8%
0.9%
13.6%
5.2%
2.8%
20.1%
12.2%
9.9%
23.6%
25.7%
28.0%
11.2%
51.9%
58.4%
under $10,000
10,001 to 20,000
20,001 - 30,000
30,001 - 50,000
50,001 - 100,000
100,001 and above

Table 1

2010 Ohio Individual Income Tax Returns, by Income Level[1]

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[2]
Under $5,000	363,547	$901,134,347	$981,430,417	$717,358,400	$506,716,935	$9,207,006	$12,935	$3,230,424
$5,000 - 10,000	423,884	3,199,655,953	2,991,867,051	966,029,600	2,121,122,400	15,361,468	2,292	247,709
10,000 - 15,000	445,638	5,569,789,289	5,213,852,563	1,178,126,400	4,132,072,531	41,375,983	28,236	16,908,744
15,000 - 20,000	409,086	7,141,871,776	6,711,784,014	1,134,318,400	5,650,447,788	80,036,979	275,551	53,748,699
20,000 - 25,000	372,170	8,351,687,219	7,827,362,545	1,065,369,600	6,822,138,416	122,486,134	926,099	93,428,679
25,000 - 30,000	334,953	9,199,064,130	8,607,151,797	979,598,400	7,679,084,932	163,607,169	1,997,847	133,883,354
30,000 - 35,000	307,806	9,990,219,517	9,354,312,192	913,494,400	8,485,267,387	202,392,802	3,098,172	172,360,515
35,000 - 40,000	277,491	10,394,635,547	9,739,748,620	837,396,800	8,944,862,937	229,838,728	4,579,726	199,260,207
40,000 - 45,000	246,527	10,464,829,773	9,797,139,181	765,974,400	9,057,228,375	245,718,397	6,496,749	215,466,745
45,000 - 50,000	215,471	10,224,372,818	9,550,136,517	694,352,000	8,882,303,408	254,073,492	8,445,643	223,173,925
50,000 - 55,000	193,313	10,141,986,642	9,467,736,394	654,902,400	8,836,306,817	264,592,839	10,462,719	232,360,646
55,000 - 60,000	170,855	9,815,172,187	9,138,145,522	600,558,400	8,557,941,368	265,791,704	9,848,061	235,141,784
60,000 - 65,000	153,229	9,569,833,831	8,923,090,042	558,984,000	8,377,367,345	268,375,800	10,747,003	237,411,102
65,000 - 70,000	138,533	9,345,741,060	8,733,069,038	522,582,400	8,222,099,765	270,524,154	12,124,053	238,826,573
70,000 - 75,000	124,636	9,030,487,847	8,455,272,513	487,769,600	7,978,993,496	268,399,411	13,354,985	236,370,491
75,000 - 80,000	112,339	8,700,261,687	8,154,496,291	453,132,800	7,708,832,343	264,267,254	13,526,057	232,714,076
80,000 - 85,000	100,769	8,309,197,441	7,805,522,861	415,958,400	7,396,285,607	257,901,010	9,674,898	230,947,612
85,000 - 90,000	89,891	7,861,500,002	7,410,339,623	379,452,800	7,036,133,830	250,014,435	8,548,042	225,117,255
90,000 - 95,000	79,698	7,367,680,469	6,966,549,553	344,811,200	6,625,861,886	240,204,980	8,286,179	216,350,215
95,000 - 100,000	69,633	6,785,884,043	6,448,528,184	306,776,000	6,144,943,043	227,095,550	7,888,730	204,601,268
100,000 - 125,000	232,086	25,750,317,865	24,593,300,741	1,059,408,000	23,544,630,546	916,110,802	31,792,431	824,132,490
125,000 - 150,000	114,301	15,567,389,015	14,939,513,962	534,894,400	14,408,324,931	609,143,190	21,063,186	541,499,951
150,000 - 175,000	64,637	10,429,467,785	10,050,929,117	306,254,400	9,747,785,389	435,925,795	14,757,421	382,769,772
175,000 - 200,000	38,854	7,248,302,700	7,018,490,409	182,856,000	6,837,329,892	318,132,391	10,393,472	275,632,242
200,000 - 250,000	44,282	9,830,076,404	9,577,562,823	208,448,000	9,369,956,930	456,103,302	14,111,599	387,460,239
250,000 - 300,000	22,737	6,198,184,576	6,078,994,561	108,550,400	5,973,372,436	306,273,368	8,452,581	254,468,681
300,000 - 350,000	13,768	4,449,113,878	4,388,920,441	66,585,600	4,322,626,988	229,445,620	4,976,221	185,280,981
350,000 - 400,000	9,089	3,396,665,672	3,372,971,187	44,094,400	3,328,997,665	181,124,052	3,115,406	142,591,737
400,000 - 450,000	6,697	2,838,611,765	2,826,552,266	32,483,200	2,794,113,845	154,756,130	2,265,406	119,389,259
450,000 - 500,000	5,299	2,511,026,900	2,512,101,636	25,838,400	2,486,381,112	139,629,142	1,763,954	105,296,295
500,000 - 750,000	13,954	8,423,243,243	8,421,584,818	68,840,000	8,353,305,981	480,379,609	4,605,427	353,001,944
750,000 - 1,000,000	5,663	4,859,335,474	4,882,536,623	27,244,800	4,855,607,696	286,400,526	1,760,850	189,591,499
1,000,000 - 1,500,000	4,908	5,938,912,702	5,996,253,566	22,904,000	5,973,585,555	358,389,989	1,354,600	200,991,036
1,500,000 - 2,000,000	2,299	3,968,081,523	4,015,605,354	10,571,200	4,005,041,821	243,174,491	612,300	117,542,493
2,000,000 - 3,000,000	2,047	4,996,216,578	5,030,988,627	9,478,400	5,022,787,135	307,428,592	490,100	129,418,310
3,000,000 - 4,000,000	1,150	3,976,118,106	3,987,826,057	5,233,600	3,982,604,311	245,147,438	235,300	82,964,468
4,000,000 - 5,000,000	711	3,166,771,361	3,190,203,403	3,190,400	3,187,105,843	196,794,444	154,700	60,657,549
5,000,000 - 10,000,000	1,353	9,407,892,060	9,446,298,326	6,086,400	9,440,273,984	585,108,046	265,200	150,969,609
Over $10,000,000	1,236	42,380,635,537	42,306,827,804	5,880,000	42,301,027,943	2,635,961,846	232,050	268,025,870
	5,214,540	**$337,701,368,723**	**$324,914,996,640**	**$16,705,788,000**	**$309,100,870,613**	**$13,026,694,067**	**$252,726,182**	**$8,173,234,449**

1 As reported on returns due April 18, 2011.

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 $4.2 billion.

Table 2

Comparison of 2009 and 2010 Individual Income Tax Returns

Income Level (Federal Adjusted Gross Income)	Number of Returns		Federal Adjusted Gross Income		Ohio Taxable Income		Joint Filer Credit		Ohio Income Tax	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Under $5,000	378,253	363,547	$983,585,877	$901,134,347	$459,861,439	$506,716,935	$9,976	$12,935	$1,798,223	$3,230,424
5,001 - 10,000	434,946	423,884	3,274,138,601	3,199,655,953	2,163,562,361	2,121,122,400	2,888	2,292	161,322	247,709
10,001 - 15,000	440,323	445,638	5,499,086,423	5,569,789,289	4,088,136,677	4,132,072,531	27,894	28,236	16,943,438	16,908,744
15,001 - 20,000	408,561	409,086	7,134,249,174	7,141,871,776	5,654,198,289	5,650,447,788	297,989	275,551	54,438,058	53,748,699
20,001 - 40,000	1,299,019	1,292,420	38,132,287,737	37,935,606,413	32,203,609,717	31,931,353,672	11,235,082	10,601,845	610,892,939	598,932,756
40,001 - 80,000	1,341,938	1,354,903	76,387,366,264	77,292,685,845	67,014,212,042	67,621,072,918	87,126,819	85,005,271	1,843,074,019	1,851,465,342
80,001 - 100,000	326,628	339,991	29,119,092,104	30,324,261,955	26,200,131,167	27,203,224,366	33,197,021	34,397,849	849,539,358	877,016,351
100,001 - 200,000	425,093	449,878	55,663,205,286	58,995,477,365	51,510,642,978	54,538,070,757	73,420,353	78,006,511	1,923,656,677	2,024,034,455
$200,000 & above	119,514	135,193	86,830,859,190	116,340,885,779	85,526,118,699	115,396,789,245	38,484,946	44,395,694	2,268,684,947	2,747,649,970
Total	**5,174,275**	**5,214,540**	**$303,023,870,656**	**$337,701,368,723**	**$274,820,473,368**	**$309,100,870,613**	**$243,802,968**	**$252,726,182**	**$7,569,188,981**	**$8,173,234,449**

Table 3

Comparison of 2009 and 2010 Individual Income Tax Returns with Tax Liability

Income Level	Number of Returns with Tax Liability		Ohio Income Tax	
	2009	2010	2009	2010
Under $5,000	350	394	$1,798,223	$3,230,424
$5,001 - $10,000	375	941	161,322	247,709
$10,001 - $15,000	162,794	163,651	16,943,438	16,908,744
$15,001 - $20,000	311,223	310,675	54,438,058	53,748,699
$20,001 - $40,000	1,213,662	1,204,273	610,892,939	598,932,756
$40,001 - $80,000	1,310,415	1,322,417	1,843,074,019	1,851,465,342
$80,001 - $100,000	320,702	333,839	849,539,358	877,016,351
$100,001 - $200,000	416,336	440,779	1,923,656,677	2,024,034,455
$200,000 & above	113,698	128,973	2,268,684,947	2,747,649,970
Total	**3,849,555**	**3,905,942**	**$7,569,188,981**	**$8,173,234,449**

Table 4

2010 All Ohio Individual Income Tax Returns

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Joint Filer Credit	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000	363,547	$901,134,347	$506,716,935	$12,935	$3,230,424	0.36%
5,001 - 10,000	423,884	3,199,655,953	2,121,122,400	2,292	247,709	0.01%
10,001 - 15,000	445,638	5,569,789,289	4,132,072,531	28,236	16,908,744	0.30%
15,001 - 20,000	409,086	7,141,871,776	5,650,447,788	275,551	53,748,699	0.75%
20,001 - 40,000	1,292,420	37,935,606,413	31,931,353,672	10,601,845	598,932,756	1.58%
40,001 - 80,000	1,354,903	77,292,685,845	67,621,072,918	85,005,271	1,851,465,342	2.40%
80,001 - 100,000	339,991	30,324,261,955	27,203,224,366	34,397,849	877,016,351	2.89%
100,001 - $200,000	449,878	58,995,477,365	54,538,070,757	78,006,511	2,024,034,455	3.43%
$200,000 & above	135,193	116,340,885,779	115,396,789,245	44,395,694	2,747,649,970	2.36%
Total	**5,214,540**	**$337,701,368,723**	**$309,100,870,613**	**$252,726,182**	**$8,173,234,449**	**2.42%**

Table 5

2010 Ohio Individual Income Tax Returns Claiming Married Filing Joint Status

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000	20,755	$3,142,150	$84,295,469	$1,755,977	55.88%
5,001 - 10,000	36,866	285,782,897	101,881,579	78,380	0.03%
10,001 - 15,000	61,840	784,231,791	433,495,781	445,911	0.06%
15,001 - 20,000	76,884	1,348,405,252	884,854,676	3,513,763	0.26%
20,001 - 40,000	328,400	9,899,072,227	7,352,914,682	104,511,831	1.06%
40,001 - 80,000	675,393	40,377,665,261	33,967,104,013	879,173,049	2.18%
80,001 - 100,000	263,575	23,560,502,543	20,913,848,876	664,935,751	2.82%
100,001 - 200,000	378,817	49,811,026,799	45,882,903,409	1,695,082,697	3.40%
$200,000 & above	115,240	94,098,417,583	93,270,115,467	2,357,011,562	2.50%
Total	**1,957,770**	**$220,168,246,504**	**$202,891,413,952**	**$5,706,508,921**	**2.59%**

Table 6

2010 Ohio Individual Income Tax Returns Claiming Single Filing Status

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000	338,384	$886,938,815	$415,883,826	$1,443,637	0.16%
$5,001 - $10,000	380,252	2,862,030,216	1,984,620,826	164,418	0.01%
$10,001 - $15,000	373,828	4,659,011,685	3,599,891,512	15,841,517	0.34%
$15,001 - $20,000	314,652	5,482,614,794	4,503,606,297	46,910,576	0.86%
$20,001 - $40,000	840,633	24,248,966,368	21,196,942,031	420,824,132	1.74%
$40,001 - $80,000	526,259	28,510,172,426	25,845,534,105	740,257,175	2.60%
$80,001 - $100,000	55,470	4,908,673,885	4,517,108,148	149,809,088	3.05%
$100,001 - $200,000	51,723	6,718,759,863	6,275,325,215	233,074,134	3.47%
$200,000 & above	16,078	17,430,124,476	17,301,076,743	315,354,616	1.81%
Total	**2,897,279**	**$95,707,292,528**	**$85,639,988,703**	**$1,923,679,293**	**2.01%**

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

Table 7

2010 Ohio Individual Income Tax Returns Claiming Married Filing Separate Status

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000	4,408	$11,053,382	$6,537,640	$30,809	0.28%
$5,001 - $10,000	6,766	51,842,840	34,619,995	4,911	0.01%
$10,001 - $15,000	9,970	126,545,813	98,685,238	621,317	0.49%
$15,001 - $20,000	17,550	310,851,730	261,986,815	3,324,359	1.07%
$20,001 - $40,000	123,387	3,787,567,818	3,381,496,958	73,596,792	1.94%
$40,001 - $80,000	153,251	8,404,848,158	7,808,434,801	232,035,118	2.76%
$80,001 - $100,000	20,946	1,855,085,527	1,772,267,343	62,271,511	3.36%
$100,001 - $200,000	19,338	2,465,690,703	2,379,842,133	95,877,625	3.89%
$200,000 & above	3,875	4,812,343,720	4,825,597,035	75,283,792	1.56%
Total	**359,491**	**$21,825,829,691**	**$20,569,467,958**	**$543,046,235**	**2.49%**

Table 8

2010 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	363,547	$8,966,980	$12,935	$3,230,424
$5,001 - $10,000	423,884	12,075,370	2,292	247,709
$10,001 - $15,000	445,638	14,726,580	28,236	16,908,744
$15,001 - $20,000	409,086	14,178,980	275,551	53,748,699
$20,001 - $40,000	1,292,420	47,448,240	10,601,845	598,932,756
$40,001 - $80,000	1,354,903	59,228,200	85,005,271	1,851,465,342
$80,001 - $100,000	339,991	18,087,480	34,397,849	877,016,351
$100,001 - $200,000	449,878	26,042,660	78,006,511	2,024,034,455
$200,000 & above	135,193	8,067,860	44,395,694	2,747,649,970
Total	**5,214,540**	**$208,822,350**	**$252,726,182**	**$8,173,234,449**

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

Table 9

2010 Ohio Individual Income Tax Returns
Claiming the Joint Filer Credit, by Income Level

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Ohio Income Tax	Effective Tax Rate[1]
Under $5,000	48	-$15,058,633	$16,449,397	$389,266	-2.59%
$5,001 - $10,000	34	276,451	895,031	18,246	6.60
$10,001 - $15,000	1,594	22,434,004	19,488,362	131,160	0.58
$15,001 - $20,000	12,275	219,566,983	167,621,842	1,121,647	0.51
$20,001 - $40,000	147,141	4,618,930,626	3,703,408,861	53,149,570	1.15
$40,001 - $80,000	485,590	29,466,620,716	25,535,483,845	654,863,114	2.22
$80,001 - $100,000	216,595	19,375,815,673	17,518,407,353	557,723,690	2.88
$100,001 - $200,000	310,688	40,646,223,643	37,876,218,789	1,401,443,755	3.45
$200,000 & above	74,749	46,434,503,093	46,081,868,714	1,409,801,226	3.04
Total	**1,248,714**	**$140,769,312,556**	**$130,919,842,194**	**$4,078,641,675**	**2.90%**

Table 10

2010 Ohio Individual Income Tax Returns
Claiming the Senior Citizen Credit, by Income Level

Income Level	Number of Returns	FAGI	Ohio Taxable Income	Senior Citizen Credit	Retirement Income Credit[2]	Ohio Income Tax
Under $5,000	30,795	$77,005,475	$30,559,583	$1,539,679	$1,092,358	$304,992
$5,001 - $10,000	54,288	419,093,656	223,724,717	2,714,302	4,909,155	16,578
$10,001 - $15,000	81,478	1,024,010,704	681,948,850	4,073,800	10,910,615	348,964
$15,001 - $20,000	75,062	1,305,812,910	926,066,414	3,753,045	11,071,280	1,527,535
$20,001 - $40,000	197,333	5,730,151,239	3,959,758,495	9,866,293	30,603,648	36,177,108
$40,001 - $80,000	201,359	11,518,696,954	7,922,147,768	10,067,600	31,536,181	167,560,911
$80,001 - $100,000	48,880	4,350,838,065	3,154,274,560	2,443,960	7,550,861	87,757,199
$100,001 - $200,000	60,207	7,949,786,944	6,350,770,532	3,010,225	8,776,427	217,758,505
$200,000 & above	21,831	25,165,488,102	24,740,505,260	1,091,525	2,521,375	488,518,990
Total	**771,233**	**$57,540,884,049**	**$47,989,756,179**	**$38,560,429**	**$108,971,900**	**$999,970,783**

1 Ohio income tax divided by federal adjusted gross income. Resident and nonresident tax credits have been subtracted in calculating income tax, but FAGI includes all resident and nonresident income.
2 This represents only the amount of the retirement income credit taken by senior citizen claimants (those 65 and older).

Table 11

2010 Ohio Individual Income Tax Returns: By County

County	Number of Returns	FAGI	Ohio Income Tax	County	Number of Returns	FAGI	Ohio Income Tax
ADAMS	10,899	$409,369,975	$9,398,328	LORAIN	134,544	$6,787,570,069	$193,157,750
ALLEN	45,829	2,100,147,064	58,143,706	LUCAS	182,509	9,103,383,969	268,288,920
ASHLAND	22,980	977,595,831	24,841,849	MADISON	17,668	878,061,152	25,413,010
ASHTABULA	42,390	1,751,237,758	44,583,891	MAHONING	102,969	4,757,449,256	132,923,335
ATHENS	21,281	955,780,493	27,164,121	MARION	26,318	1,116,874,461	28,943,061
AUGLAIZE	21,000	1,016,373,763	28,338,100	MEDINA	81,947	4,903,855,151	152,777,951
BELMONT	29,306	1,249,156,935	31,996,579	MEIGS	8,654	340,658,860	7,980,320
BROWN	18,050	730,908,656	17,560,862	MERCER	19,689	918,498,716	26,278,442
BUTLER	158,809	8,657,090,514	256,481,127	MIAMI	46,915	2,287,204,576	63,825,153
CARROLL	12,135	514,423,246	13,160,229	MONROE	6,293	241,634,020	5,561,755
CHAMPAIGN	16,702	728,344,191	18,759,432	MONTGOMERY	230,951	11,466,275,027	325,249,998
CLARK	58,728	2,585,181,775	66,559,489	MORGAN	5,469	199,574,678	4,454,550
CLERMONT	87,615	4,898,929,650	147,984,958	MORROW	14,056	599,156,859	15,084,087
CLINTON	18,682	853,987,491	21,328,200	MUSKINGUM	36,565	1,519,099,675	39,784,430
COLUMBIANA	45,105	1,874,694,991	47,327,572	NOBLE	5,206	209,611,183	5,091,867
COSHOCTON	15,239	595,719,790	14,639,262	OTTAWA	20,239	1,006,823,976	28,006,802
CRAWFORD	19,731	760,731,172	18,069,755	PAULDING	8,500	357,065,507	8,884,868
CUYAHOGA	564,250	31,404,606,717	1,004,041,618	PERRY	14,117	556,982,832	13,521,689
DARKE	23,995	1,002,255,055	25,684,711	PICKAWAY	22,471	1,067,132,971	28,829,503
DEFIANCE	17,871	792,439,595	20,298,284	PIKE	11,096	439,310,652	10,533,036
DELAWARE	77,484	7,273,724,226	279,012,522	PORTAGE	70,129	3,555,174,377	103,562,331
ERIE	36,035	1,705,455,303	48,276,528	PREBLE	17,702	754,510,693	18,628,720
FAIRFIELD	63,036	3,393,118,725	99,801,433	PUTNAM	16,406	830,142,610	23,312,814
FAYETTE	12,273	502,737,434	13,258,927	RICHLAND	53,125	2,250,047,798	58,224,956
FRANKLIN	529,845	29,278,515,498	919,075,717	ROSS	30,684	1,322,631,220	34,176,857
FULTON	19,622	891,667,990	23,390,256	SANDUSKY	28,806	1,213,551,978	31,021,702
GALLIA	11,649	509,247,009	13,351,749	SCIOTO	26,952	1,148,411,590	29,299,515
GEAUGA	43,077	3,364,405,695	122,555,480	SENECA	25,549	1,023,008,939	25,335,638
GREENE	69,209	4,122,410,877	120,716,237	SHELBY	22,299	1,021,266,211	27,967,734
GUERNSEY	16,651	636,883,591	15,476,960	STARK	167,640	8,009,292,346	227,697,455
HAMILTON	360,343	22,367,560,139	751,765,467	SUMMIT	244,004	13,486,552,035	423,896,031
HANCOCK	33,200	1,732,553,961	50,758,194	TRUMBULL	93,865	4,033,779,993	104,437,577
HARDIN	12,590	512,849,805	12,622,600	TUSCARAWAS	42,086	1,757,776,899	45,483,328
HARRISON	6,313	248,115,435	5,913,319	UNION	21,626	1,294,686,062	40,364,302
HENRY	12,892	589,797,246	15,346,451	VAN WERT	13,271	553,182,855	13,690,360
HIGHLAND	17,096	639,183,979	15,012,554	VINTON	4,449	163,865,777	3,755,942
HOCKING	11,717	462,828,740	11,199,583	WARREN	93,678	6,736,527,769	228,012,135
HOLMES	14,599	588,559,864	15,445,161	WASHINGTON	26,477	1,178,398,250	30,404,248
HURON	27,630	1,163,333,221	29,871,671	WAYNE	50,590	2,298,277,040	62,748,764
JACKSON	12,848	513,238,525	12,517,997	WILLIAMS	17,276	713,122,402	17,939,343
JEFFERSON	28,979	1,204,175,355	29,619,384	WOOD	55,882	3,095,169,188	94,385,634
KNOX	25,213	1,285,869,784	38,811,259	WYANDOT	10,668	439,536,515	11,233,136
LAKE	113,017	5,865,713,444	170,921,036				
LAWRENCE	24,424	1,028,684,115	25,284,082	COUNTY TOTAL	5,053,859	264,015,731,136	7,906,431,589
LICKING	73,397	3,715,155,934	105,248,931				
LOGAN	20,783	925,834,440	24,646,966	OTHER*	160,681	73,685,637,587	266,802,860
				State total	**5,214,540**	**$337,701,368,723**	**$8,173,234,449**

* Includes non-resident returns.

Table 12

Rank of Counties By Average Income As Reported on 2010 Ohio Individual Income Tax Returns

County	FAGI	Percentage of State Average	Rank	County	FAGI	Percentage of State Average	Rank
ADAMS	$37,560	71.9%	85	LORAIN	$50,449	96.6%	21
ALLEN	$45,826	87.7%	33	LUCAS	$49,879	95.5%	22
ASHLAND	$42,541	81.4%	52	MADISON	$49,698	95.1%	24
ASHTABULA	$41,313	79.1%	66	MAHONING	$46,203	88.4%	32
ATHENS	$44,912	86.0%	39	MARION	$42,438	81.2%	53
AUGLAIZE	$48,399	92.6%	27	MEDINA	$59,842	114.6%	6
BELMONT	$42,625	81.6%	49	MEIGS	$39,364	75.4%	79
BROWN	$40,494	77.5%	71	MERCER	$46,650	89.3%	31
BUTLER	$54,513	104.3%	13	MIAMI	$48,752	93.3%	26
CARROLL	$42,392	81.1%	54	MONROE	$38,397	73.5%	83
CHAMPAIGN	$43,608	83.5%	45	MONTGOMERY	$49,648	95.0%	25
CLARK	$44,020	84.3%	43	MORGAN	$36,492	69.9%	88
CLERMONT	$55,914	107.0%	8	MORROW	$42,626	81.6%	48
CLINTON	$45,712	87.5%	36	MUSKINGUM	$41,545	79.5%	65
COLUMBIANA	$41,563	79.6%	63	NOBLE	$40,263	77.1%	73
COSHOCTON	$39,092	74.8%	81	OTTAWA	$49,747	95.2%	23
CRAWFORD	$38,555	73.8%	82	PAULDING	$42,008	80.4%	59
CUYAHOGA	$55,657	106.5%	9	PERRY	$39,455	75.5%	78
DARKE	$41,769	80.0%	60	PICKAWAY	$47,489	90.9%	29
DEFIANCE	$44,342	84.9%	42	PIKE	$39,592	75.8%	76
DELAWARE	$93,874	179.7%	1	PORTAGE	$50,695	97.0%	18
ERIE	$47,328	90.6%	30	PREBLE	$42,623	81.6%	50
FAIRFIELD	$53,828	103.0%	14	PUTNAM	$50,600	96.9%	20
FAYETTE	$40,963	78.4%	69	RICHLAND	$42,354	81.1%	55
FRANKLIN	$55,259	105.8%	12	ROSS	$43,105	82.5%	46
FULTON	$45,442	87.0%	37	SANDUSKY	$42,128	80.6%	56
GALLIA	$43,716	83.7%	44	SCIOTO	$42,610	81.6%	51
GEAUGA	$78,102	149.5%	2	SENECA	$40,041	76.6%	74
GREENE	$59,565	114.0%	7	SHELBY	$45,799	87.7%	34
GUERNSEY	$38,249	73.2%	84	STARK	$47,777	91.5%	28
HAMILTON	$62,073	118.8%	4	SUMMIT	$55,272	105.8%	11
HANCOCK	$52,185	99.9%	15	TRUMBULL	$42,974	82.3%	47
HARDIN	$40,735	78.0%	70	TUSCARAWAS	$41,766	80.0%	61
HARRISON	$39,302	75.2%	80	UNION	$59,867	114.6%	5
HENRY	$45,749	87.6%	35	VAN WERT	$41,684	79.8%	62
HIGHLAND	$37,388	71.6%	86	VINTON	$36,832	70.5%	87
HOCKING	$39,501	75.6%	77	WARREN	$71,912	137.7%	3
HOLMES	$40,315	77.2%	72	WASHINGTON	$44,506	85.2%	41
HURON	$42,104	80.6%	58	WAYNE	$45,429	87.0%	38
JACKSON	$39,947	76.5%	75	WILLIAMS	$41,278	79.0%	67
JEFFERSON	$41,553	79.5%	64	WOOD	$55,388	106.0%	10
KNOX	$51,000	97.6%	17	WYANDOT	$41,201	78.9%	68
LAKE	$51,901	99.4%	16	WILLIAMS	$41,278	79.0%	67
LAWRENCE	$42,118	80.6%	57	WOOD	$55,388	106.0%	10
LICKING	$50,617	96.9%	19	WYANDOT	$41,201	78.9%	65
LOGAN	$44,548	85.3%	40				
				TOTAL	**$52,240**	**100.0%**	

Individual Income Tax – School District

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

During fiscal year 2012, 182 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 2012, total net collections for all districts were approximately $342.3 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 $1,700 for each personal and dependent exemption claimed on the Ohio individual income tax return for tax year 2012. The value of these exemptions is indexed to inflation.

"Earned income only" school districts

As of the end of 2012 fiscal year, voters in 33 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 2012, 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

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: 2007-2012

	2007	2008	2009	2010	2011	2012
"Traditional base" districts	155	157	153	153	151	149
"Earned income only" districts	9	13	19	25	30	33
Total districts levying the tax	**164**	**170**	**172**	**178**	**181**	**182**
Individual Returns	$109,112,417	$115,840,480	$109,252,212	$110,540,423	$120,507,956	$126,365,263
Employer Withholding	178,394,566	220,696,342	223,927,682	214,902,468	227,107,845	240,897,206
Total Collections	**$287,506,983**	**$336,536,822**	**$333,179,895**	**$325,442,891**	**$347,615,801**	**$367,262,469**
Refunds and Administration	$20,637,802	$24,866,366	$27,588,832	$28,638,291	$27,112,439	$25,067,822
Interest Earned	2,527,516	2,259,576	1,206,431	438,513	178,906	143,483
Net to School Districts	**$269,396,698**	**$313,930,032**	**$306,797,494**	**$297,243,112**	**$320,682,268**	**$342,338,130**

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 2012, the tax generated approximately $537.9 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.

Rates

(R.C. 5727.81)

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

The self-assessment calculation was changed effective Jan. 1, 2011. The price-based portion of the tax was dropped. Instead, self-assessors 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 sell-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)

House Bill 153, enacted by the 129th General Assembly, changed the fund distribution beginning in fiscal year 2012. The bill changed the percentage of distribution to the General Revenue Fund, School District Property Tax Replacement Fund and the Local

Government Property Tax Replacement Fund as follows:

Fund	Percentage
For January 2008 through July 2011	
General Revenue Fund	63.0%
School District Property Tax Replacement Fund	25.4%
Local Government Property Tax Replacement Fund	11.6%
Total Distribution	**100%**
For fiscal years 2012 and thereafter:	
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
Total Distribution	**100%**

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

Administration

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

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 1, 128th General Assembly

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

House Bill 153, 129th General Assembly

Change to the distribution of revenue H.B. 153 changed the percentage of distribution to 88% (from 63%) to the General Revenue Fund, 9.0% (from 25.4%) to the School District Property Tax Replacement Fund, and 3% (from 11.6%) to the Local Government Property Tax Replacement Fund.

Table

Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2008 - 2012

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	Public Library Fund[1]	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
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
2012	537,948,994	294,828,747	0	0	178,565,617	48,415,333	16,139,298

Source: State of Ohio accounting system.

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

Motor Vehicle Fuel Tax

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

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

Motor vehicle fuel wholesale dealers, rather than retailers, remit the tax. In fiscal year 2012, the reported net motor fuel tax collections totaled approximately $1,802 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 2012 was 28 cents per gallon.

Taxpayer

(Ohio Revised Code 5735.01)

The excise tax applies to dealers who:

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

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

Tax Base

(R.C. 5735.06)

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

Rates

The overall rate of 28 cents per gallon is actually composed of five separate levies. All are measured in cents per gallon, but one levy in particular – the largest, currently set at 15 cents – is specifically identified as the "cents per gallon rate" in Ohio law because it was once adjusted annually for inflation by the Tax Commissioner.

All five levies are shown in the table below:

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

Deductions, Refunds, and Credits

Deductions (R.C. 5735.05 and 5735.06)

Dealers may deduct the following from their total gallons sold:

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

Shrinkage allowance (R.C. 5735.06)

In addition, licensed motor fuel dealers receive a discount intended to cover "evaporation, shrinkage, or other unaccounted for losses." An uncodified provision of House Bill 119, enacted in mid-2007 by the 127th General Assembly, set this "shrinkage allowance" at the following levels for fiscal years 2008-09, which has been extended through fiscal year 2013 by House Bill 114 of the 129th General Assembly:

- 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.

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;[1]
- the motor fuel was used in aircraft;
- the motor fuel was lost or destroyed through fire, explosion, lightning or other natural disasters; or
- any person, other than a dealer, sells the fuel or uses the fuel outside Ohio, or who sells the fuel to the U.S. government or any of its agencies.

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

Special Provision

Fuel Use Tax (Chapter 5728)

The Ohio motor vehicle fuel use tax is imposed on heavy trucks on the amount of motor fuel consumed in Ohio that was purchased outside of Ohio. The use tax rate has been 28 cents since July 1, 2005. A refund or credit is allowed for the tax on fuel purchased in Ohio for use in another state, provided that the other state imposes a tax on such fuel and allows a similar credit or refund. During fiscal year 2012, $31.2 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 received for the preceding calendar month to the state Highway Safety Fund for the costs of administration and enforcement of state laws governing the registration and operation of motor vehicles.[2] After the Highway Safety Fund distribution and applicable refunds to taxpayers, the following distributions are made from all five levies:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administration

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

Ohio Revised Code Citations

Chapters 5728 and 5735.

Recent Legislation

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

Highway Safety Fund distribution made permanent – Uncodified section 506.20 of the bill requires that, starting in fiscal year 2010, the first 2 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 2008-2012

Fiscal Year	Gross Collections	Refunds	Net Tax After Refunds
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
2012	1,819,440,263	17,252,941	1,801,687,322

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

Table 2

Taxable Gallons of Motor Vehicle Fuel Fiscal Years 2008-2012

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Gasoline	5,011,225,903	4,947,371,191	4,970,761,774	4,988,781,906	4,969,895,959
Special Fuels[1]	1,568,327,418	1,429,969,330	1,441,256,585	1,491,098,136	1,533,844,630
Total	6,579,553,321	6,377,340,521	6,412,018,359	6,479,880,042	6,503,740,589

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

Table 3

Amounts of Motor Vehicle Fuel Tax Revenue Distributed to Local Governments by County, Calendar Year 2012

	Amount Distributed To:			
County	County	Townships	Municipalities	Total
ADAMS	$2,290,681	$1,276,276	$284,253	$3,851,210
ALLEN	$2,290,681	$1,116,123	$1,808,592	$5,215,397
ASHLAND	$2,290,681	$1,276,276	$923,013	$4,489,970
ASHTABULA	$2,290,681	$2,305,871	$1,673,009	$6,269,562
ATHENS	$2,290,681	$1,201,543	$615,368	$4,107,592
AUGLAIZE	$2,290,681	$1,191,191	$1,043,607	$4,525,480
BELMONT	$2,290,681	$1,394,216	$1,125,286	$4,810,183
BROWN	$2,290,681	$1,361,361	$468,548	$4,120,590
BUTLER	$2,290,681	$1,670,467	$6,057,004	$10,018,153
CARROLL	$2,290,681	$1,198,664	$201,627	$3,690,973
CHAMPAIGN	$2,290,681	$1,021,020	$583,783	$3,895,485
CLARK	$2,290,681	$1,002,062	$2,093,881	$5,386,624
CLERMONT	$2,290,681	$1,715,119	$813,388	$4,819,188
CLINTON	$2,290,681	$1,106,106	$683,598	$4,080,385
COLUMBIANA	$2,290,681	$1,587,249	$1,571,010	$5,448,940
COSHOCTON	$2,290,681	$1,871,871	$522,734	$4,685,286
CRAWFORD	$2,290,681	$1,361,361	$968,267	$4,620,309
CUYAHOGA	$2,290,681	$185,776	$35,801,965	$38,278,423
DARKE	$2,290,681	$1,709,629	$924,551	$4,924,862
DEFIANCE	$2,290,681	$1,021,020	$717,820	$4,029,522
DELAWARE	$2,290,681	$1,773,042	$1,723,194	$5,786,917
ERIE	$2,290,681	$798,143	$1,737,462	$4,826,287
FAIRFIELD	$2,290,681	$1,258,481	$2,166,465	$5,715,627
FAYETTE	$2,290,681	$850,850	$519,585	$3,661,117
FRANKLIN	$2,290,681	$1,550,010	$34,364,936	$38,205,627
FULTON	$2,290,681	$1,031,919	$776,042	$4,098,642
GALLIA	$2,290,681	$1,277,199	$179,981	$3,747,862
GEAUGA	$2,290,681	$1,492,547	$701,835	$4,485,063
GREENE	$2,290,681	$1,050,964	$4,000,852	$7,342,497
GUERNSEY	$2,290,681	$1,617,359	$515,816	$4,423,857
HAMILTON	$2,290,681	$1,949,796	$15,955,084	$20,195,562
HANCOCK	$2,290,681	$1,459,701	$1,750,934	$5,501,317
HARDIN	$2,290,681	$1,276,276	$538,372	$4,105,329
HARRISON	$2,290,681	$1,276,276	$261,797	$3,828,754
HENRY	$2,290,681	$1,106,106	$533,386	$3,930,173
HIGHLAND	$2,290,681	$1,450,386	$462,527	$4,203,595
HOCKING	$2,290,681	$944,674	$280,538	$3,515,893
HOLMES	$2,290,681	$1,191,191	$169,891	$3,651,763
HURON	$2,290,681	$1,616,616	$1,341,101	$5,248,398
JACKSON	$2,290,681	$1,021,020	$470,231	$3,781,933
JEFFERSON	$2,290,681	$1,208,711	$1,240,506	$4,739,899
KNOX	$2,290,681	$1,882,874	$705,563	$4,879,119
LAKE	$2,290,681	$570,287	$5,973,544	$8,834,512
LAWRENCE	$2,290,681	$1,234,365	$707,427	$4,232,473
LICKING	$2,290,681	$2,171,806	$3,101,606	$7,564,093
LOGAN	$2,290,681	$1,447,611	$758,047	$4,496,340
LORAIN	$2,290,681	$1,553,923	$7,397,687	$11,242,291
LUCAS	$2,290,681	$1,184,606	$10,422,679	$13,897,966
MADISON	$2,290,681	$1,191,191	$680,426	$4,162,299
MAHONING	$2,290,681	$1,597,867	$3,172,958	$7,061,507
MARION	$2,290,681	$1,279,030	$1,205,637	$4,775,349
MEDINA	$2,290,681	$1,525,937	$2,988,239	$6,804,858
MEIGS	$2,290,681	$1,021,561	$203,481	$3,515,724
MERCER	$2,290,681	$1,203,704	$817,125	$4,311,511
MIAMI	$2,290,681	$1,028,172	$2,354,913	$5,673,766
MONROE	$2,290,681	$1,531,531	$146,846	$3,969,058
MONTGOMERY	$2,290,681	$1,118,753	$13,481,446	$16,890,880
MORGAN	$2,290,681	$1,191,191	$102,860	$3,584,732
MORROW	$2,290,681	$1,361,361	$242,621	$3,894,663
MUSKINGUM	$2,290,681	$2,161,326	$1,090,691	$5,542,698
NOBLE	$2,290,681	$1,276,276	$100,114	$3,667,071
OTTAWA	$2,290,681	$1,021,020	$573,251	$3,884,953
PAULDING	$2,290,681	$1,021,020	$298,122	$3,609,824
PERRY	$2,290,681	$1,191,191	$410,688	$3,892,560
PICKAWAY	$2,290,681	$1,276,276	$771,334	$4,338,291
PIKE	$2,290,681	$1,191,191	$219,964	$3,701,836
PORTAGE	$2,290,681	$1,577,088	$2,326,391	$6,194,160
PREBLE	$2,290,681	$1,021,020	$661,415	$3,973,116
PUTNAM	$2,290,681	$1,276,276	$642,218	$4,209,175
RICHLAND	$2,290,681	$1,586,322	$2,614,631	$6,491,635
ROSS	$2,290,681	$1,393,023	$931,024	$4,614,728
SANDUSKY	$2,290,681	$1,032,700	$1,019,922	$4,343,303
SCIOTO	$2,290,681	$1,391,824	$732,012	$4,414,517
SENECA	$2,290,681	$1,276,276	$1,188,486	$4,755,443
SHELBY	$2,290,681	$1,191,191	$1,025,331	$4,507,203
STARK	$2,290,681	$2,281,464	$5,553,857	$10,126,002
SUMMIT	$2,290,681	$939,282	$14,479,311	$17,709,274
TRUMBULL	$2,290,681	$2,221,650	$3,292,997	$7,805,328
TUSCARAWAS	$2,290,681	$1,880,125	$1,992,210	$6,163,017
UNION	$2,290,681	$1,191,191	$782,438	$4,264,310
VAN WERT	$2,290,681	$1,021,020	$498,945	$3,810,647
VINTON	$2,290,681	$1,021,020	$105,353	$3,417,055
WARREN	$2,290,681	$1,277,222	$3,232,448	$6,800,351
WASHINGTON	$2,290,681	$1,883,014	$830,430	$5,004,126
WAYNE	$2,290,681	$1,382,010	$1,870,332	$5,543,023
WILLIAMS	$2,290,681	$1,021,020	$727,779	$4,039,481
WOOD	$2,290,681	$1,695,034	$2,566,046	$6,551,761
WYANDOT	$2,290,681	$1,106,106	$492,626	$3,889,413
TOTAL	**$201,579,970**	**$117,674,409**	**$234,065,311**	**$553,319,690**

Source: Records of the Department of Taxation.

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

The municipal income tax for electric light companies and local exchange telephone companies, set out in Chapter 5745 of the Ohio Revised Code, was enacted by the Ohio General Assembly in 2000. This tax is sometimes referred to as the "Chapter 5745 municipal income tax" to distinguish it from the conventional municipal income tax, which is enacted and administered by various Ohio cities and villages 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 $10.1 million in revenue in calendar year 2012 on returns filed for taxable year 2011, 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 sitused consistent with the franchise tax situsing provisions. However, for purposes of the municipal payroll factor, compensation is sitused 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 income be determined by an alternative method, including any of the alternative methods set out in R.C. 5733.05(B)(2)(d).

Municipality cannot require tax return (R.C. 5745.03(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

Revenue from Municipal Income Tax For Electric Light Companies and Telephone Companies: Calendar Years 2008 - 2012

(figures in millions)

Calendar Year	Distribution to Municipalities	Municipal Income Tax Administration Fund	Total
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
2012	10.0	0.1	10.1

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 2012, the tax generated approximately $60.2 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 70,000 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.

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)

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

Natural Gas Distribution Tax Collections and Distributions: Fiscal Years 2008 - 2012

Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	General Revenue
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	-
2012	60,190,655	-	-	$60,190,655

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 the refore 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 2011. During taxable year 2011, 12,136 pass-through entity taxpayers filed returns on form IT 1140. The total taxable year 2011 pass-through entity tax liability was $139.6 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 $156.9 million during fiscal year 2011.

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 2011 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 IT 1140 withholding tax and the form IT 4708 tax is treated as individual income tax revenue.

Administration

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

Ohio Revised Code Citations

Chapters 5733 and 5747.

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 Dec. 19,, 2010 (the effective date of H.B. 1's amendment to R.C. 5701.11) through March 7, 2011 (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 Dec. 15, 2010 and March 7, 2011.

Table 1

Pass-Through Entity Tax Liability (Form IT-1140), **Tax Years 2008-2011** (figures in millions)

Tax Year	Total Pass-Through Entity Tax Liability
2008	$100.5
2009	90.5
2010	126.2
2011	139.6

Table 2

Collections from the Composite Income Tax Paid on Behalf of Nonresident Investors in Pass-Through Entities (Form IT-4708), **Fiscal Years 2008-2011** (figures in millions)

Fiscal Year	Revenue Collected
2008	$134.9
2009	111.7
2010	114.5
2011	156.9

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

Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that is subject to property taxation now that 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 $10.2 billion in tax year 2011. Electric utilities accounted for 69.4 percent of total public utility personal property value in 2011 and the natural gas industry accounted for 9 percent.

Revenue from the public utility property tax amounted to about $784.5 million in calendar year 2011 (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 was 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 was 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 became zero percent of true value.

Changes for 2011

House Bill 153 extended until Jan. 1, 2014 by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project", and extended until Jan. 1, 2015 (or Jan. 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 Jan. 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[1]	25%
Natural gas companies	25%
Heating, pipeline, and water works companies	88%
Water transportation companies	25%

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

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

Determining true value

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

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

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

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

Apportionment of value

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

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

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

1 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

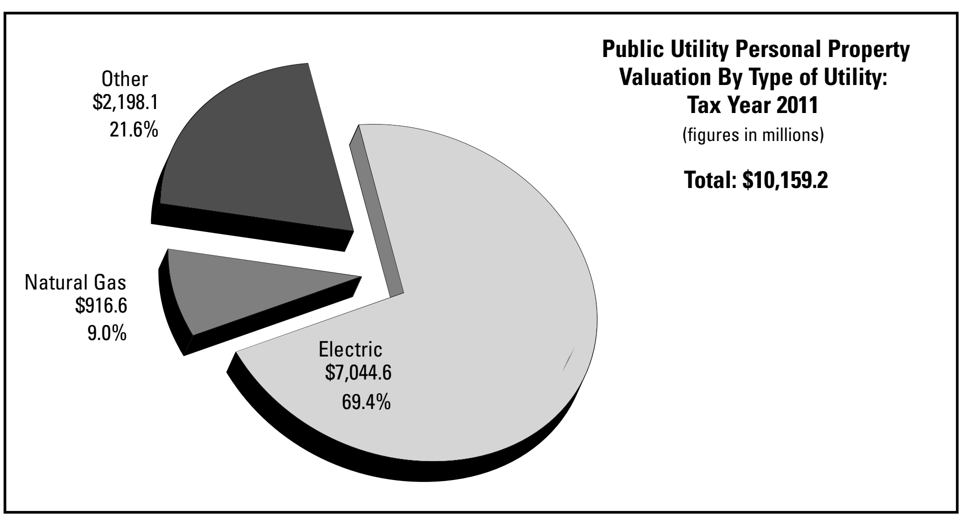
(R.C. 5713.01, 5727.06)

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

Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2007 - 2011

Class of Utitlity	Number of Taxpayers 2011	Assessed Values 2007	2008	2009	2010	2011
Electric	20	$6,139,587,280	$6,390,727,590	$6,665,194,420	$7,020,695,660	$7,044,584,850
Telephone	-	-	-	-	-	–
Natural Gas[1]	27	687,377,830	713,082,350	763,148,170	819,544,930	916,554,800
Railroad	-	166,453,130	133,631,890	0	-	-
Pipeline	16	718,061,960	713,799,520	742,391,230	1,461,255,730	1,576,986,300
Rural Electric	27	356,232,540	391,893,760	379,305,110	415,791,840	421,504,940
Water Works	14	155,095,100	153,161,070	151,025,180	159,717,810	158,444,090
Lease/Rental[2]	12		-	36,472,560	36,063,820	38,444,700
Other[3]	5	3,148,860	4,619,360	4,168,520	2,406,410	2,686,560
Totals[4]	**121**	**$8,225,956,700**	**$8,500,915,540**	**$8,886,519,380**	**$9,915,476,200**	**$10,159,206,240**
Taxes Levied		**$621,194,887**	**$645,176,010**	**$676,598,501**	**$747,249,291**	**$784,469,930**

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 2011

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	$218,059,920	$9,744,687	LOGAN	$33,630,750	$2,111,113
ALLEN	$90,070,640	$5,192,780	LORAIN	227,164,330	19,359,449
ASHLAND	$61,889,390	$4,310,756	LUCAS	225,867,030	21,592,258
ASHTABULA	$88,675,130	$6,709,448	MADISON	31,814,890	2,156,685
ATHENS	$87,755,110	$6,329,389	MAHONING	161,529,770	13,392,300
AUGLAIZE	$18,863,520	$1,171,112	MARION	67,305,290	4,442,836
BELMONT	$114,043,230	$7,186,949	MEDINA	93,953,890	8,607,443
BROWN	$35,369,240	$1,861,986	MEIGS	42,789,100	2,107,461
BUTLER	$357,985,500	$26,431,409	MERCER	21,674,730	1,281,263
CARROLL	$45,897,540	$2,372,978	MIAMI	57,423,080	4,001,431
CHAMPAIGN	$24,862,720	$1,703,844	MONROE	92,052,190	5,034,371
CLARK	$73,303,280	$5,640,143	MONTGOMERY	308,638,740	31,935,366
CLERMONT	$306,653,100	$21,477,551	MORGAN	64,815,110	3,799,711
CLINTON	$65,242,130	$3,353,926	MORROW	22,748,200	1,284,890
COLUMBIANA	$86,316,110	$4,915,371	MUSKINGUM	179,244,210	11,626,675
COSHOCTON	$141,217,600	$7,182,970	NOBLE	73,050,550	3,567,207
CRAWFORD	$24,544,880	$1,886,010	OTTAWA	141,329,980	7,779,783
CUYAHOGA	$698,069,270	$75,547,870	PAULDING	27,571,690	1,591,897
DARKE	$41,268,020	$2,155,280	PERRY	89,902,390	5,581,831
DEFIANCE	$54,811,090	$3,434,241	PICKAWAY	127,618,000	7,298,243
DELAWARE	$152,300,850	$13,686,910	PIKE	42,695,430	2,379,124
ERIE	$55,210,740	$4,712,001	PORTAGE	82,363,890	7,466,180
FAIRFIELD	$173,329,260	$12,780,062	PREBLE	34,032,980	1,935,831
FAYETTE	$88,004,964	$4,710,392	PUTNAM	27,524,440	1,383,455
FRANKLIN	$654,908,400	$70,924,498	RICHLAND	94,684,350	7,728,737
FULTON	$37,958,950	$2,870,036	ROSS	61,574,450	3,857,393
GALLIA	$229,694,780	$9,534,595	SANDUSKY	48,822,960	2,897,981
GEAUGA	$68,054,380	$6,739,500	SCIOTO	78,252,170	4,592,555
GREENE	$100,504,090	$7,937,181	SENECA	51,454,730	3,390,401
GUERNSEY	$106,706,400	$5,863,674	SHELBY	32,431,570	1,985,439
HAMILTON	$653,505,310	$64,356,113	STARK	272,760,010	21,948,681
HANCOCK	$60,824,010	$3,743,234	SUMMIT	249,247,440	23,165,697
HARDIN	$23,948,670	$1,421,770	TRUMBULL	118,228,290	9,345,787
HARRISON	$27,060,410	$1,661,198	TUSCARAWAS	76,705,110	4,941,523
HENRY	$17,068,960	$1,231,210	UNION	54,514,150	4,221,019
HIGHLAND	$31,140,270	$1,464,373	VAN WERT	20,694,960	1,371,063
HOCKING	$56,017,410	$3,371,980	VINTON	33,041,310	1,477,186
HOLMES	$29,954,330	$1,732,041	WARREN	262,234,740	21,892,264
HURON	$30,380,330	$1,858,167	WASHINGTON	128,302,720	7,451,149
JACKSON	$46,307,970	$1,991,847	WAYNE	74,876,910	5,803,338
JEFFERSON	$245,842,831	$13,283,331	WILLIAMS	20,155,890	1,420,527
KNOX	$42,857,580	$2,796,801	WOOD	75,887,300	6,116,740
LAKE	$339,982,500	$28,880,162	WYANDOT	14,023,090	749,878
LAWRENCE	$83,744,540	$2,931,425			
LICKING	$139,238,910	$9,304,565	TOTAL	$10,174,077,075	$784,469,930

Property Tax – Real Property

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

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

In tax year 2011 (bills payable during 2012), the assessed valuation of real property in Ohio was about $231.3 billion ($660.8 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 2012. Net taxes charged after the application of reduction factors required by Ohio Revised Code section 319.301 (frequently described as "House Bill 920") were $14.6 billion for tax year 2011, an increase of 0.7 percent over 2010. 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 2011 (reimbursed in 2012) is estimated to be $1.1 billion for the 10 percent reduction, $210.3 million for the 2.5 percent reduction and $391.9 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 2011, the statewide average "gross" tax rate was 89.47 mills on residential and agricultural real property and 92.06 mills on commercial and industrial property. The statewide average "effective" or net tax rate on residential and agricultural real property was 61.11 mills, while the effective rate was 70.02 mills on commercial and industrial property. The difference between the gross and effective rate is due to tax reduction factors that generally prevent changes in voted taxes when the valuation of existing real property is increased or decreased (see Credits).

The Ohio Constitution prohibits governmental units from levying property taxes that, in the aggregate, exceed 1 percent of true value, unless they are approved by voters. This is known in state law as the 10-mill limitation on nonvoted or "inside" millage. Since these inside mills are levied on taxable value, which is 35 percent of true value, the result is a statutory limit of 0.35 percent, or nearly three times as strict as the constitutional 1 percent limit.

Exemptions

The real property of governmental or private institutional organizations may be exempt based on how the property is used and/or owned. Examples include schools, charities, churches and municipal corporations. Many other specific exemptions are also provided in the Revised Code.

Credits

(R.C. 319.301, 319.302, 323.151-.157)

Property tax rollbacks

Since 1971, a 10 percent reduction, or "rollback," has applied to each taxpayer's real property tax bill. In 2005, as part of a broader series of tax reforms, the General Assembly limited the 10 percent rollback to all real property not intended primarily for use in a business activity. The state reimburses local governments and schools for the cost of this rollback.

In addition, since the 1979 tax year, a 2.5 percent rollback of real property taxes has been available to homesteads – meaning, dwelling plus up to one acre occupied by the homeowner. The state reimburses local governments and schools for the cost of this rollback.

Tax reduction factors

Each year, the department calculates effective tax rates based on tax reduction factors that eliminate the effect of a change in the valuation of existing real property on certain voted taxes. This law, outlined in R.C. 319.301, was enacted in 1976 by the 111th General Assembly as House Bill 920. Reduction factors are applied to eligible tax rates for each taxing unit, such as a school district, a county, or a municipality.

For the purpose of applying tax reduction factors, real property is divided into two classes: Class I for residential and agricultural property and Class II for all other real property.

Separate percentage adjustments are applied to taxes levied against each of these two classes whenever the value of existing real property changes within these respective classes.

Reduction factors are only calculated on "carryover" property – meaning, property that is taxed in both the preceding and current year within the same reduction factor class. Therefore, new construction does not trigger a change in reduction factors, and taxing authorities receive new revenue as new property is added. Likewise, reduction factors do not stabilize revenue when property is removed from a class through exemption, demolition, or reclassification. Also, reduction factors are not applied to unvoted millage within the 10 mill constitutional limit or to millage authorized by municipal charter.

Finally, if the tax reductions would reduce the effective tax rate for current expenses of a school district below 20 mills on real property in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills. (However, districts that levy less than 20 mills do not automatically reach this 20 mill floor; a district that only levies 18 mills for current expense purposes will never receive more than 18 mills). The reduction factors of joint vocational school districts are adjusted in a similar manner to yield a minimum of two effective mills on each class of real property.

Homestead exemption

The homestead exemption dates back to 1971. It is available to the homesteads of qualified homeowners who are either:

- at least 65 years of age,
- permanently and totally disabled, or
- at least 59 years of age and the surviving spouse of a deceased taxpayer who previously received the exemption.

Before the 2007 tax year, eligibility for the exemption was limited to taxpayers who earned $26,200 or less, with benefits tiered according to income.

Starting with the 2007 tax year (bills payable in 2008), income tests and tiered benefits are 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 854,173 taxpayers qualified for the homestead exemption in 2010 on their tax bills payable in 2011 (see table 7) - an increase of 18,949 from the previous year. The total tax savings was approximately $378.7 million, or about $14.5 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 sitused 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 sitused to the home's assessed value.

Real property approach – If a home was sitused 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 sitused 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 225, 129th General Assembly (effective March 22, 2012)

House Bill 225 provided new authority to county auditors to review and grant exemption for certain types of real property within the auditor's county. The property for which the auditor is now responsible for granting exemption include: a public road or highway; property belonging to the federal government; additions or improvements to an existing building or structure that belongs to the state or a political subdivision and that is exempt from taxation as property used exclusively for a public purpose; and property of boards of trustees and of the housing commissions of the state universities, the northeastern Ohio universities college of medicine, and of the state to be exempted under R.C. 3345.17.

Substitute House Bill 487, 129th General Assembly (various effective dates)

The mid-biennium budget review bill contained a number of statutory changes of note. Newly enacted R.C. 5713.012 requires all county auditors to involve a "qualified project manager" in each mass assessment project that originates more than two years after the effective date of the enactment of this section (Sept. 10, 2012). The statute defines a "mass assessment project" and also outlines the requirements necessary to become a qualified project manager.

The bill also amended R.C. 5713.03 to expand the factors a county auditor may consider in the determination of "true value" as it applies to individual properties. The words "the fee simple estate, as if unencumbered" now follow the words "true value" in the statute. This change was intended to clarify the definition of "true value." The second change, of the word "shall" to "may" should ease the strict standard imposed upon county auditors and boards of revision through recent court decisions. The change should allow county auditors and boards of revision to review factors surrounding a sale to assure that the sale price is not affected by outside market forces when employing the sale price as evidence of value. The effective date of this section is dependent upon a county's appraisal cycle.

Sub. H.B. 508, effective September 6, 2012

The bill is a compendium of tax law changes presented originally as a part of the mid-biennium budget review bill. As the bill relates to real property tax, it provides exemption for a convention center or arena owned by the largest city in a county having a population greater than 250,000 but less than 300,000 at the time of the construction of the convention center, regardless of whether the property is leased to or otherwise operated or managed by a person other than the city.

The bill also permits the Tax Commissioner to extend the revaluation of real property required by a county by not more than one year beginning in 2014 and continuing for not more than five years.

Recent Court Decisions

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 negotiated through 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 School District Board of Education v. Testa, 130 Ohio St.3d 344, 2011-Ohio-5534

The Ohio Supreme Court denied exemption for certain property owned by Ohio State University because that property's use had no operational relationship to university activities. At issue was R.C. 3345.17, which provides that state-university property is exempt from real property if it is "used for the support of such university." The property under issue was a two-story building with a basement that generated rental income from a first-floor commercial tenant and second-floor residential tenants. The property owner argued that the income-producing property qualified under R.C. 3345.17 to the extent that the income generated by the property was devoted to university purposes. The court held that "support" is subordinated to "use." In other words, the court held that it is not enough that the money generated from the use of the building supports the university – the property itself must be used to support the university.

Sheldon Road Associates, L.L.C. v. Cuyahoga County Board of Revision, 131 Ohio St.3d 201, 2012-Ohio-581.

The Ohio Supreme Court concluded that when an auditor changes value in the preceding year after the statutory deadline for challenging value, a timely complaint for the following year may in certain circumstances also confer jurisdiction on the board of revision to consider the preceding year's valuation. In making this decision, the court overturned a Board of Tax Appeals decision which held that it had no jurisdiction to consider the valuation of prior for a year in which no complaint had been filed.

In this case, the Cuyahoga County Auditor substantially increased the value of the taxpayer's property for 2007 on June 13, 2008. On Dec. 18, 2008, the taxpayer filed a complaint against the increase in valuation for tax year 2007. The Board of Revision (BOR) issued a decision in 2009, but identified the year in issue as 2008, not 2007. The BOR's decision retained the auditor's value.

The taxpayer appealed to the Board of Tax Appeals and sought remand to the board of revision, with orders to instruct the board of revision to consider value for 2007. The Board of Tax Appeals concluded that the board of revision lacked jurisdiction to consider the 2007 year because the complaint had not been timely filed. In overturning the Board of Tax Appeals, the court concluded that the BOR did have jurisdiction to entertain the taxpayer's complaint for the 2007 tax-year valuation. The court held because the 2007 valued was modified in 2008 and was carried over as the value of 2008 and because the taxpayer's complaint was timely filed for 2008, then in this limited circumstance, the BOR had authority to consider value for 2007.

1495 Jaeger L.L.C. v. Cuyahoga County Board of Revision, 132 Ohio St.3d 222, 2012-Ohio-2680.

The Ohio Supreme Court held that the BTA has no jurisdiction to consider a motion filed after the 30-day appeal period following the issuance of an order. In doing so, the court found that the BTA had no authority to carry forward a stipulated value to later years. The court explained that the continuing complaint provisions of R.C. 5715.19(D) may be invoked by the taxpayer at the board of revision after the BTA has issued a final, dispositive order for the original tax year. If the board of revision did not lawfully comply, the taxpayer would have the right to appeal the adverse ruling to the BTA as a new appeal. However, R.C. 5715.19(D) did not extend the time during which a participant in a BTA appeal could seek application of a stipulated value to later years.

Table 1

Assessed Value Of Taxable Real Estate, Taxes Charged, Average Tax Rates, and Tax Relief, Tax Years 2006 - 2011

	2006	2007	2008	2009	2010	2011
Value Of Taxable Property	$234,133,065,917	$235,916,746,794	$241,120,753,580	$238,193,861,953	$238,182,209,591	$231,287,062,255
Residential & Agricultural	180,305,043,717	184,029,442,834	187,687,183,700	184,181,188,378	184,352,812,609	179,385,998,963
Other[1]	53,828,022,200	51,887,303,960	53,433,569,880	54,012,673,575	53,829,396,982	51,901,063,292
Taxes Charged[2]	12,956,794,743	13,128,191,919	13,819,361,777	14,124,390,998	14,494,608,093	14,595,848,723
Residential & Agricultural	9,568,110,019	9,880,261,962	10,398,014,352	10,576,227,491	10,860,862,198	10,961,568,418
Other[1]	3,388,684,724	3,247,929,957	3,421,347,425	3,548,163,507	3,633,745,895	3,634,280,305
Average Effective Tax Rate[3]	55.34	55.65	57.31	59.30	60.86	63.11
Residential & Agricultural	53.07	53.69	55.40	57.42	58.91	61.11
Other[1]	62.95	62.60	64.03	65.69	67.50	70.02
10% Reduction In All Real Property Taxes	952,065,574	990,608,456	1,042,002,658	1,061,932,289	1,090,774,144	1,101,127,219[5]
2.5% Reduction In Homeowner's Real Property Taxes[4]	184,658,118	193,869,450	202,879,613	206,623,789	211,369,995	210,286,629[5]
Homestead Exemption Reduction[4]	70,105,574	317,107,593	341,874,647	361,838,373	376,393,082	391,863,292[5]
Net Taxes Collectible (after 10% reduction, 2.5% reduction, and homestead exemption)	**$11,749,965,477**	**$11,626,606,421**	**$12,232,604,859**	**$12,493,996,547**	**$12,816,070,872**	**$12,892,571,584**

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.
5 These data are estimated for tax year 2011.

Table 2

Gross and Net Tax Millage Rates on the Two Classes of Real Property, by County, Tax Year 2011

	Class I		Class II			Class I		Class II	
County	Gross Rate[1]	Net Rate[2]	Gross Rate[1]	Net Rate[2]	County	Gross Rate[1]	Net Rate[2]	Gross Rate[1]	Net Rate[2]
ADAMS	50.90	41.92	48.06	44.53	LOGAN	63.73	43.59	64.37	48.22
ALLEN	58.46	47.79	59.00	49.82	LORAIN	83.33	56.86	85.26	62.99
ASHLAND	73.23	46.74	76.79	54.82	LUCAS	102.97	67.22	101.31	77.77
ASHTABULA	75.37	51.21	76.83	56.83	MADISON	67.56	49.52	68.16	57.30
ATHENS	77.62	52.54	83.24	54.70	MAHONING	84.15	60.68	87.43	65.89
AUGLAIZE	62.82	44.14	62.53	52.15	MARION	65.10	44.91	64.74	51.13
BELMONT	63.21	42.82	62.66	48.14	MEDINA	94.14	54.89	94.71	56.04
BROWN	51.39	40.07	51.19	42.60	MEIGS	48.00	39.18	50.07	46.10
BUTLER	79.62	57.32	80.39	62.90	MERCER	59.23	47.88	59.17	54.04
CARROLL	54.76	40.07	55.67	42.68	MIAMI	69.45	46.01	69.22	51.25
CHAMPAIGN	65.91	46.16	75.14	57.66	MONROE	55.88	39.50	55.94	54.41
CLARK	75.29	57.91	76.67	61.49	MONTGOMERY	107.64	79.75	106.23	88.13
CLERMONT	89.26	59.57	88.14	66.66	MORGAN	55.99	38.99	57.53	45.81
CLINTON	53.73	44.29	53.95	51.76	MORROW	55.82	44.20	59.79	49.38
COLUMBIANA	57.49	43.16	60.11	46.29	MUSKINGUM	68.41	47.61	69.99	51.30
COSHOCTON	60.34	42.78	62.98	45.45	NOBLE	49.52	36.78	49.99	40.96
CRAWFORD	77.72	50.77	78.37	59.83	OTTAWA	69.48	39.04	66.29	41.78
CUYAHOGA	119.77	78.50	109.14	80.88	PAULDING	60.72	47.66	65.20	55.44
DARKE	53.80	40.76	56.76	46.99	PERRY	63.63	43.57	64.55	50.57
DEFIANCE	61.58	45.94	63.10	50.93	PICKAWAY	60.47	45.91	64.17	55.38
DELAWARE	90.47	67.20	93.56	69.04	PIKE	60.49	42.29	66.56	54.40
ERIE	84.79	47.26	86.73	58.32	PORTAGE	92.18	53.27	95.71	59.82
FAIRFIELD	87.39	52.76	88.54	49.37	PREBLE	56.29	43.67	59.07	48.57
FAYETTE	57.50	45.43	60.14	47.97	PUTNAM	50.30	39.92	49.41	44.62
FRANKLIN	111.11	75.02	106.08	82.39	RICHLAND	80.73	55.41	82.57	69.90
FULTON	76.24	53.45	75.10	63.89	ROSS	61.62	45.12	66.44	52.90
GALLIA	47.55	40.22	46.71	40.66	SANDUSKY	61.18	43.62	57.66	46.14
GEAUGA	103.14	59.80	103.28	64.80	SCIOTO	59.81	45.95	64.20	52.18
GREENE	83.38	63.22	84.35	66.67	SENECA	65.21	43.05	67.81	57.39
GUERNSEY	59.33	48.07	60.61	52.82	SHELBY	61.76	45.11	62.73	50.00
HAMILTON	99.64	65.83	97.30	76.04	STARK	83.31	55.30	81.53	60.39
HANCOCK	64.42	45.62	65.92	57.00	SUMMIT	93.05	66.80	91.62	73.01
HARDIN	60.18	43.08	61.34	48.64	TRUMBULL	77.30	59.77	76.31	63.85
HARRISON	61.23	40.74	62.55	49.88	TUSCARAWAS	67.79	46.47	69.18	52.52
HENRY	73.22	48.28	74.37	66.17	UNION	79.91	58.15	79.87	65.54
HIGHLAND	47.62	39.66	47.83	42.99	VAN WERT	66.78	42.89	69.49	63.81
HOCKING	59.88	44.89	59.52	47.27	VINTON	46.03	42.82	48.94	46.58
HOLMES	55.37	44.55	54.41	47.76	WARREN	89.76	61.43	90.18	59.21
HURON	60.43	40.76	63.47	45.67	WASHINGTON	58.62	42.98	60.33	47.03
JACKSON	45.18	41.30	47.35	44.58	WAYNE	79.08	53.10	87.53	66.93
JEFFERSON	60.85	41.31	60.76	49.17	WILLIAMS	72.35	47.09	72.99	50.90
KNOX	66.17	48.61	62.37	51.85	WOOD	84.60	57.61	86.69	64.06
LAKE	93.49	59.78	91.30	63.57	WYANDOT	54.62	34.94	53.08	37.94
LAWRENCE	36.11	33.08	38.75	35.86					
LICKING	71.63	55.38	69.66	54.98	**STATEWIDE AVERAGE**	**89.47**	**61.11**	**92.06**	**70.02**

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.

Table 3

Total Real Property Taxes, Values and Effective Tax Rates, by County, Tax Year 2011

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	$382,417,660	$19,186,326	$16,287,255	$16,162	42.59	LOGAN	$1,042,197,870	$66,530,991	$46,258,633	$527,957	44.39
ALLEN	$1,765,355,940	$103,445,842	$85,287,405	$5,814,688	48.31	LORAIN	$6,418,177,000	$537,066,570	$372,043,315	$3,309,815	57.97
ASHLAND	$892,641,540	$65,861,640	$42,843,026	$657,376	48.00	LUCAS	$7,707,789,720	$790,325,333	$539,272,447	$35,483,235	69.96
ASHTABULA	$1,687,980,150	$127,701,772	$88,311,874	$2,592,351	52.32	MADISON	$878,759,360	$59,440,787	$44,458,829	$1,662,734	50.59
ATHENS	$843,768,890	$66,538,460	$44,729,004	$1,077,920	53.01	MAHONING	$3,750,228,870	$318,568,362	$232,286,963	$3,699,432	61.94
AUGLAIZE	$894,079,780	$56,122,082	$40,649,334	$1,163,985	45.46	MARION	$951,528,090	$61,879,888	$43,844,541	$1,572,605	46.08
BELMONT	$981,334,830	$61,902,880	$43,249,787	$308,206	44.07	MEDINA	$4,449,294,380	$419,294,633	$245,069,498	$3,314,655	55.08
BROWN	$688,638,090	$35,377,006	$27,753,546	$629,624	40.30	MEIGS	$282,640,390	$13,666,941	$11,412,097	$65,527	40.38
BUTLER	$7,064,447,370	$563,660,760	$413,711,191	$47,462,852	58.56	MERCER	$862,116,480	$51,055,119	$41,829,288	$1,630,350	48.52
CARROLL	$519,302,980	$28,493,135	$20,965,576	$363,307	40.37	MIAMI	$2,110,201,610	$146,454,727	$99,123,610	$2,249,887	46.97
CHAMPAIGN	$704,481,560	$47,293,538	$33,593,260	$85,694	47.69	MONROE	$208,250,840	$11,639,475	$8,648,885	$9,735	41.53
CLARK	$2,215,060,020	$167,460,350	$130,039,992	$887,580	58.71	MONTGOMERY	$9,112,225,340	$977,763,465	$744,728,277	$36,507,128	81.73
CLERMONT	$3,769,786,380	$335,731,056	$229,439,574	$11,690,237	60.86	MORGAN	$210,580,160	$11,832,593	$8,400,650	$112,231	39.89
CLINTON	$776,570,220	$41,759,121	$35,590,504	$457,474	45.83	MORROW	$664,279,960	$37,282,623	$29,631,427	$575,208	44.61
COLUMBIANA	$1,539,469,800	$89,146,277	$67,202,593	$834,675	43.65	MUSKINGUM	$1,487,704,640	$102,316,085	$72,096,830	$2,363,900	48.46
COSHOCTON	$579,852,370	$35,323,013	$25,144,797	$423,395	43.36	NOBLE	$201,523,720	$9,990,424	$7,505,225	$139,694	37.24
CRAWFORD	$645,232,700	$50,218,091	$33,740,735	$196,851	52.29	OTTAWA	$1,661,064,820	$114,580,569	$65,558,614	$1,969,018	39.47
CUYAHOGA	$29,069,410,690	$3,388,203,173	$2,302,783,160	$105,715,121	79.22	PAULDING	$323,056,900	$19,766,336	$15,656,286	$386,056	48.46
DARKE	$956,026,550	$51,804,534	$39,743,325	$934,436	41.57	PERRY	$521,151,730	$33,211,067	$23,077,040	$89,890	44.28
DEFIANCE	$679,870,950	$42,033,878	$31,777,084	$862,385	46.74	PICKAWAY	$1,067,991,360	$65,118,034	$50,395,456	$216,837	47.19
DELAWARE	$5,951,027,540	$540,585,874	$401,220,850	$24,558,542	67.42	PIKE	$339,226,060	$20,801,941	$14,905,965	$30,693	43.94
ERIE	$2,009,679,640	$171,240,164	$99,778,674	$3,590,175	49.65	PORTAGE	$3,241,540,240	$301,008,195	$176,776,098	$4,408,671	54.53
FAIRFIELD	$3,144,431,980	$275,354,936	$164,260,736	$-	52.24	PREBLE	$764,170,460	$43,259,955	$33,806,823	$2,815,877	44.24
FAYETTE	$549,928,330	$31,893,845	$25,249,273	$1,575,735	45.91	PUTNAM	$699,517,700	$35,130,286	$28,213,583	$512,572	40.33
FRANKLIN	$25,648,102,510	$2,810,361,527	$1,981,688,687	$124,916,503	77.26	RICHLAND	$1,878,491,010	$152,300,950	$109,271,313	$1,615,492	58.17
FULTON	$828,442,380	$63,000,039	$45,730,761	$1,171,445	55.20	ROSS	$1,095,044,950	$68,386,615	$50,880,572	$416,999	46.46
GALLIA	$490,938,360	$23,239,613	$19,800,001	$31,296	40.33	SANDUSKY	$1,138,582,180	$68,926,841	$50,186,482	$796,851	44.08
GEAUGA	$2,914,746,630	$300,685,119	$175,997,505	$1,872,001	60.38	SCIOTO	$874,917,670	$53,016,739	$41,175,990	$1,189,287	47.06
GREENE	$3,679,957,580	$307,552,516	$235,151,932	$3,329,016	63.90	SENECA	$919,923,970	$60,330,437	$41,487,476	$905,768	45.10
GUERNSEY	$543,819,570	$32,405,050	$26,667,413	$692,593	49.04	SHELBY	$962,440,280	$59,632,872	$44,382,081	$752,127	46.11
HAMILTON	$17,498,175,130	$1,732,453,496	$1,200,400,562	$102,813,351	68.60	STARK	$6,787,727,033	$562,949,114	$382,579,316	$6,650,547	56.36
HANCOCK	$1,531,300,760	$99,138,565	$73,572,313	$1,103,612	48.05	SUMMIT	$11,161,147,500	$1,035,075,650	$760,737,931	$33,367,014	68.16
HARDIN	$505,945,550	$30,517,713	$22,133,230	$1,464,979	43.75	TRUMBULL	$3,133,470,470	$241,600,221	$189,884,669	$2,191,709	60.60
HARRISON	$236,897,300	$14,544,161	$9,917,790	$104,708	41.87	TUSCARAWAS	$1,540,022,780	$104,807,556	$73,358,910	$1,373,829	47.63
HENRY	$584,830,510	$42,892,200	$29,350,014	$746,077	50.19	UNION	$1,287,948,700	$102,911,348	$76,784,115	$5,011,790	59.62
HIGHLAND	$663,765,120	$31,627,687	$26,587,197	$1,132,969	40.06	VAN WERT	$516,396,610	$34,626,601	$23,243,173	$828,644	45.01
HOCKING	$510,730,920	$30,564,593	$23,044,061	$105,333	45.12	VINTON	$154,872,020	$7,168,484	$6,683,564	$4,464	43.16
HOLMES	$768,665,900	$42,432,423	$34,671,885	$408,281	45.11	WARREN	$5,539,927,750	$497,643,990	$338,222,108	$4,529,742	61.05
HURON	$1,029,139,020	$62,696,061	$42,757,679	$429,693	41.55	WASHINGTON	$973,762,700	$57,471,944	$42,774,255	$462,885	43.93
JACKSON	$428,097,690	$19,523,394	$17,952,522	$3,623	41.94	WAYNE	$2,092,466,560	$168,805,124	$116,570,850	$1,852,713	55.71
JEFFERSON	$906,514,842	$55,140,479	$39,031,091	$300,279	43.06	WILLIAMS	$686,782,060	$49,775,052	$32,853,875	$1,082,270	47.84
KNOX	$1,119,913,520	$73,612,932	$54,852,512	$2,395,522	48.98	WOOD	$2,630,213,540	$223,882,054	$155,739,094	$11,174,739	59.21
LAKE	$5,979,927,240	$556,043,470	$362,658,157	$12,998,973	60.65	WYANDOT	$409,623,060	$22,287,269	$14,481,008	$122,055	35.35
LAWRENCE	$792,150,040	$28,866,120	$26,483,029	$724,895	33.43						
LICKING	$3,575,227,180	$254,829,368	$197,750,667	$4,339,228	55.31	**TOTAL**	**$231,287,062,255**	**$20,828,047,539**	**$14,595,848,723**	**$650,965,779**	**63.11**

Table 4

Taxes Charged on Real Property, and Property Tax Relief, by County, Tax Year 2011[1]

County	Taxes Charged	10% Reduction[2]	Homestead Exemption Reduction[2]	2.5% Reduction in Taxes of Homeowners[2]	Net Taxes Collectible
ADAMS	$16,287,255	$1,194,532	$686,294	$84,185	$14,322,244
ALLEN	$85,287,405	$6,272,711	$2,916,920	$1,128,300	74,969,473
ASHLAND	$42,843,026	$3,528,185	$1,632,973	$607,259	37,074,608
ASHTABULA	$88,311,874	$6,927,129	$3,584,840	$996,825	76,803,080
ATHENS	$44,729,004	$3,456,959	$1,501,499	$476,240	39,294,307
AUGLAIZE	$40,649,334	$3,288,612	$1,219,502	$539,173	35,602,047
BELMONT	$43,249,787	$3,209,637	$2,078,274	$549,125	37,412,751
BROWN	$27,753,546	$2,504,461	$1,061,183	$319,202	23,868,700
BUTLER	$413,711,191	$32,566,035	$10,107,350	$6,233,802	364,804,004
CARROLL	$20,965,576	$1,848,466	$755,854	$238,732	18,122,524
CHAMPAIGN	$33,593,260	$2,810,546	$1,155,505	$395,279	29,231,930
CLARK	$130,039,992	$9,971,143	$5,407,872	$1,768,157	112,892,820
CLERMONT	$229,439,574	$19,208,971	$5,636,925	$3,948,023	200,645,654
CLINTON	$35,590,504	$2,750,320	$962,117	$382,881	31,495,185
COLUMBIANA	$67,202,593	$5,594,281	$3,183,179	$891,951	57,533,182
COSHOCTON	$25,144,797	$1,938,786	$988,503	$266,564	21,950,945
CRAWFORD	$33,740,735	$2,741,404	$1,660,035	$365,376	28,973,921
CUYAHOGA	$2,302,783,160	$158,723,436	$58,677,352	$32,008,021	2,053,374,351
DARKE	$39,743,325	$3,392,868	$1,554,174	$471,295	34,324,988
DEFIANCE	$31,777,084	$2,620,657	$1,274,551	$440,673	27,441,203
DELAWARE	$401,220,850	$35,070,510	$4,435,298	$7,503,769	354,211,273
ERIE	$99,778,674	$7,483,961	$2,685,748	$1,303,154	88,305,810
FAIRFIELD	$164,260,736	$13,640,509	$3,635,580	$2,486,580	144,498,068
FAYETTE	$25,249,273	$2,025,407	$815,885	$294,623	22,113,358
FRANKLIN	$1,981,688,687	$135,458,614	$31,859,504	$28,716,674	1,785,653,895
FULTON	$45,730,761	$3,685,593	$1,440,499	$637,734	39,966,936
GALLIA	$19,800,001	$1,486,256	$869,764	$169,887	17,274,093
GEAUGA	$175,997,505	$15,353,198	$3,530,158	$2,893,688	154,220,461
GREENE	$235,151,932	$18,702,251	$5,643,718	$2,933,241	207,872,722
GUERNSEY	$26,667,413	$2,071,744	$1,253,700	$276,584	23,065,385
HAMILTON	$1,200,400,562	$86,641,507	$24,074,878	$17,847,676	1,071,836,501
HANCOCK	$73,572,313	$5,498,736	$1,882,510	$1,032,698	65,158,369
HARDIN	$22,133,230	$1,917,337	$866,890	$239,945	19,109,057
HARRISON	$9,917,790	$844,434	$570,669	$93,218	8,409,470
HENRY	$29,350,014	$2,522,496	$895,433	$331,584	25,600,502
HIGHLAND	$26,587,197	$2,317,131	$1,045,963	$262,884	22,961,218
HOCKING	$23,044,061	$2,066,781	$831,857	$310,964	19,834,458
HOLMES	$34,671,885	$2,829,832	$696,804	$346,595	30,798,654
HURON	$42,757,679	$3,514,389	$1,424,321	$639,568	37,179,401
JACKSON	$17,952,522	$1,414,463	$888,162	$140,155	15,509,742
JEFFERSON	$39,031,091	$2,910,056	$2,182,450	$475,574	33,463,011
KNOX	$54,852,512	$4,814,877	$1,764,067	$711,993	47,561,575
LAKE	$362,658,157	$27,550,536	$9,478,511	$5,500,729	320,128,381
LAWRENCE	$26,483,029	$2,290,622	$1,610,995	$333,646	22,247,766
LICKING	$197,750,667	$16,129,962	$4,837,923	$3,046,493	173,736,289

County	Taxes Charged	10% Reduction[2]	Homestead Exemption Reduction[2]	2.5% Reduction in Taxes of Homeowners[2]	Net Taxes Collectible
LOGAN	$46,258,633	$3,761,702	$1,083,706	$426,865	$40,986,360
LORAIN	$372,043,315	$29,979,035	$10,444,581	$5,652,063	$325,967,635
LUCAS	$539,272,447	$38,250,629	$15,660,915	$7,973,190	$477,387,713
MADISON	$44,458,829	$3,740,037	$1,123,614	$624,614	$38,970,564
MAHONING	$232,286,963	$17,229,568	$11,022,260	$3,409,809	$200,625,326
MARION	$43,844,541	$3,469,379	$1,793,655	$577,675	$38,003,833
MEDINA	$245,069,498	$20,301,328	$5,728,384	$4,093,590	$214,946,196
MEIGS	$11,412,097	$919,622	$695,345	$116,168	$9,680,961
MERCER	$41,829,288	$3,699,876	$1,203,369	$522,122	$36,403,921
MIAMI	$99,123,610	$7,946,892	$3,101,209	$1,478,949	$86,596,560
MONROE	$8,648,885	$707,104	$435,674	$74,215	$7,431,894
MONTGOMERY	$744,728,277	$55,417,435	$28,382,522	$11,489,631	$649,438,689
MORGAN	$8,400,650	$710,141	$424,713	$75,603	$7,190,193
MORROW	$29,631,427	$2,704,537	$895,388	$340,776	$25,690,726
MUSKINGUM	$72,096,830	$5,450,007	$2,524,764	$860,093	$63,261,966
NOBLE	$7,505,225	$659,978	$320,548	$78,748	$6,445,951
OTTAWA	$65,558,614	$5,471,063	$1,376,583	$492,754	$58,218,214
PAULDING	$15,656,286	$1,383,203	$687,456	$181,139	$13,404,488
PERRY	$23,077,040	$2,034,543	$937,109	$350,947	$19,754,441
PICKAWAY	$50,395,456	$4,253,727	$1,346,024	$666,534	$44,129,172
PIKE	$14,905,965	$1,235,796	$804,218	$185,217	$12,680,734
PORTAGE	$176,776,098	$13,938,068	$4,480,462	$2,443,903	$155,913,664
PREBLE	$33,806,823	$2,944,500	$1,288,357	$455,895	$29,118,071
PUTNAM	$28,213,583	$2,544,228	$766,539	$427,424	$24,475,392
RICHLAND	$109,271,313	$8,408,838	$4,613,664	$1,545,648	$94,703,162
ROSS	$50,880,572	$4,089,232	$2,092,448	$648,754	$44,050,138
SANDUSKY	$50,186,482	$4,051,632	$1,779,019	$688,554	$43,667,277
SCIOTO	$41,175,990	$3,298,226	$2,358,800	$586,425	$34,932,540
SENECA	$41,487,476	$3,398,666	$1,444,941	$502,011	$36,141,857
SHELBY	$44,382,081	$3,454,690	$1,254,319	$526,238	$39,146,834
STARK	$382,579,316	$29,707,858	$13,488,390	$5,619,503	$333,763,565
SUMMIT	$760,737,931	$58,074,042	$21,609,924	$11,384,958	$669,669,007
TRUMBULL	$189,884,669	$14,917,819	$9,681,819	$2,452,866	$162,832,164
TUSCARAWAS	$73,358,910	$5,822,879	$2,609,673	$958,741	$63,967,617
UNION	$76,784,115	$5,981,488	$1,202,678	$1,053,061	$68,546,889
VAN WERT	$23,243,173	$2,002,602	$969,077	$278,275	$19,993,218
VINTON	$6,683,564	$593,405	$415,276	$73,772	$5,601,111
WARREN	$338,222,108	$28,336,856	$6,023,731	$5,938,254	$297,923,267
WASHINGTON	$42,774,255	$3,209,103	$1,820,027	$493,102	$37,252,023
WAYNE	$116,570,850	$9,011,812	$3,393,547	$1,541,309	$102,624,183
WILLIAMS	$32,853,875	$2,604,628	$1,203,197	$426,754	$28,619,296
WOOD	$155,739,094	$11,384,234	$3,586,380	$1,760,830	$139,007,651
WYANDOT	$14,481,008	$1,236,470	$522,800	$168,929	$12,552,808
TOTAL	**$14,595,848,723**	**$1,101,127,219**	**$391,863,292**	**$210,286,629**	**$12,892,571,584**

1 Taxes charged in tax year 2011 and collected or reimbursed in calendar year 2012.

2 These data are estimated for tax year 2011.

Table 5

Assessed Valuation of Exempt Real Property, by Ownership Classifications: Tax Years 2009 - 2011

(figures in millions)

Property Under Public Ownership	**2009**	**2010**	**2011**
Boards of Education	$6,884	$7,150	$7,323
Municipalities	5,171	5,245	5,313
State	3,598	3,589	3,578
Counties	2,595	2,633	2,708
United States	1,550	1,539	1,536
Park Districts	657	665	696
Townships	362	376	383
Total	**$20,818**	**$21,199**	**$21,538**
Property Under Private Ownership	**2008**	**2010**	**2011**
Tax Abatements	$9,406	$9,571	$9,107
Charities	4,645	4,737	4,937
Churches	4,165	4,228	4,310
Schools and Colleges	3,704	4,013	4,147
Cemeteries	249	251	251
Total	**$22,170**	**$22,800**	**$22,752**
Grand Total[1]	**$43,777**	**$44,835**	**$45,125**

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

1 Includes other tax-exempt organizations (e.g., metropolitan housing authorities, volunteer fire departments, etc.) not included in any of the listed categories.

Table 6

Assessed Valuation of Exempt Real Property Compared to Total Assessed Real Valuation, by County, Tax Year 2011

County	Assesed Value of Taxable Real Property	Assessed Value of Exempt Real Property	Percent of Tax Base Exempt from Taxation	County	Assesed Value of Taxable Real Property	Assessed Value of Exempt Real Property	Percent of Tax Base Exempt from Taxation
ADAMS	$382,417,660	$62,079,160	13.97%	LOGAN	$1,042,197,870	$109,041,410	9.47%
ALLEN	$1,765,355,940	$389,838,710	18.09%	LORAIN	$6,418,177,000	$979,246,100	13.24%
ASHLAND	$892,641,540	$160,984,320	15.28%	LUCAS	$7,707,789,720	$1,587,895,370	17.08%
ASHTABULA	$1,687,980,150	$243,448,230	12.60%	MADISON	$878,759,360	$194,019,820	18.09%
ATHENS	$843,768,890	$366,357,570	30.27%	MAHONING	$3,750,228,870	$588,727,930	13.57%
AUGLAIZE	$894,079,780	$97,283,140	9.81%	MARION	$951,528,090	$175,443,990	15.57%
BELMONT	$981,334,830	$179,613,620	15.47%	MEDINA	$4,449,294,380	$406,163,680	8.37%
BROWN	$688,638,090	$69,756,220	9.20%	MEIGS	$282,640,390	$26,963,780	8.71%
BUTLER	$7,064,447,370	$1,813,258,610	20.42%	MERCER	$862,116,480	$85,423,400	9.02%
CARROLL	$519,302,980	$31,346,630	5.69%	MIAMI	$2,110,201,610	$267,393,530	11.25%
CHAMPAIGN	$704,481,560	$61,896,930	8.08%	MONROE	$208,250,840	$23,836,170	10.27%
CLARK	$2,215,060,020	$401,559,280	15.35%	MONTGOMERY	$9,112,225,340	$1,947,812,650	17.61%
CLERMONT	$3,769,786,380	$474,220,420	11.17%	MORGAN	$210,580,160	$23,556,870	10.06%
CLINTON	$776,570,220	$98,876,930	11.29%	MORROW	$664,279,960	$48,856,970	6.85%
COLUMBIANA	$1,539,469,800	$231,919,270	13.09%	MUSKINGUM	$1,487,704,640	$268,477,230	15.29%
COSHOCTON	$579,852,370	$77,812,140	11.83%	NOBLE	$201,523,720	$39,330,130	16.33%
CRAWFORD	$645,232,700	$85,249,900	11.67%	OTTAWA	$1,661,064,820	$132,053,650	7.36%
CUYAHOGA	$29,069,410,690	$6,497,451,290	18.27%	PAULDING	$323,056,900	$39,796,350	10.97%
DARKE	$956,026,550	$120,223,030	11.17%	PERRY	$521,151,730	$67,514,220	11.47%
DEFIANCE	$679,870,950	$92,451,320	11.97%	PICKAWAY	$1,067,991,360	$180,543,740	14.46%
DELAWARE	$5,951,027,540	$1,020,529,910	14.64%	PIKE	$339,226,060	$67,802,600	16.66%
ERIE	$2,009,679,640	$293,164,420	12.73%	PORTAGE	$3,241,540,240	$794,643,110	19.69%
FAIRFIELD	$3,144,431,980	$389,479,920	11.02%	PREBLE	$764,170,460	$72,603,150	8.68%
FAYETTE	$549,928,330	$93,629,690	14.55%	PUTNAM	$699,517,700	$85,286,210	10.87%
FRANKLIN	$25,648,102,510	$7,859,877,320	23.46%	RICHLAND	$1,878,491,010	$283,123,880	13.10%
FULTON	$828,442,380	$159,185,780	16.12%	ROSS	$1,095,044,950	$237,653,400	17.83%
GALLIA	$490,938,360	$98,203,220	16.67%	SANDUSKY	$1,138,582,180	$191,691,570	14.41%
GEAUGA	$2,914,746,630	$253,860,220	8.01%	SCIOTO	$874,917,670	$304,032,510	25.79%
GREENE	$3,679,957,580	$825,221,370	18.32%	SENECA	$919,923,970	$123,413,390	11.83%
GUERNSEY	$543,819,570	$115,247,560	17.49%	SHELBY	$962,440,280	$109,497,910	10.21%
HAMILTON	$17,498,175,130	$4,940,024,790	22.02%	STARK	$6,787,727,033	$1,095,673,980	13.90%
HANCOCK	$1,531,300,760	$194,169,770	11.25%	SUMMIT	$11,161,147,500	$1,610,700,130	12.61%
HARDIN	$505,945,550	$72,736,400	12.57%	TRUMBULL	$3,133,470,470	$384,309,740	10.92%
HARRISON	$236,897,300	$31,526,960	11.75%	TUSCARAWAS	$1,540,022,780	$169,586,010	9.92%
HENRY	$584,830,510	$77,414,150	11.69%	UNION	$1,287,948,700	$103,044,650	7.41%
HIGHLAND	$663,765,120	$79,770,730	10.73%	VAN WERT	$516,396,610	$80,842,070	13.54%
HOCKING	$510,730,920	$77,619,060	13.19%	VINTON	$154,872,020	$27,216,210	14.95%
HOLMES	$768,665,900	$48,740,610	5.96%	WARREN	$5,539,927,750	$940,137,400	14.51%
HURON	$1,029,139,020	$115,244,800	10.07%	WASHINGTON	$973,762,700	$160,842,250	14.18%
JACKSON	$428,097,690	$92,835,290	17.82%	WAYNE	$2,092,466,560	$389,171,890	15.68%
JEFFERSON	$906,514,842	$145,991,870	13.87%	WILLIAMS	$686,782,060	$126,262,710	15.53%
KNOX	$1,119,913,520	$208,754,580	15.71%	WOOD	$2,630,213,540	$606,428,570	18.74%
LAKE	$5,979,927,240	$517,789,860	7.97%	WYANDOT	$409,623,060	$34,498,650	7.77%
LAWRENCE	$792,150,040	$141,270,770	15.13%				
LICKING	$3,575,227,180	$526,468,810	12.84%	**TOTAL**	**$231,287,062,255**	**$45,124,943,560**	**16.33%**

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 2010

County	Number of Homestead Exemptions Granted[1]	Average Reduction in Taxes[1]	Total Reduction in Real Property Taxes[2]	County	Number of Homestead Exemptions Granted[1]	Average Reduction in Taxes[1]	Total Reduction in Real Property Taxes[2]
ADAMS	2,331	$293	$688,305	LOGAN	3,217	$331	$1,107,306
ALLEN	8,077	360	2,906,789	LORAIN	23,827	417	9,935,496
ASHLAND	4,479	348	1,562,215	LUCAS	32,010	484	15,477,007
ASHTABULA	8,948	374	3,345,279	MADISON	2,842	394	1,161,075
ATHENS	3,741	409	1,537,452	MAHONING	23,678	426	10,120,830
AUGLAIZE	3,458	348	1,224,380	MARION	5,225	342	1,789,228
BELMONT	6,389	325	2,125,621	MEDINA	13,154	411	5,404,022
BROWN	3,517	291	1,050,592	MEIGS	2,376	277	657,009
BUTLER	22,519	425	9,580,269	MERCER	3,211	370	1,189,353
CARROLL	2,519	291	748,301	MIAMI	8,513	340	2,896,038
CHAMPAIGN[3]	3,081	371	1,142,017	MONROE	1,442	310	447,064
CLARK	11,642	446	5,205,834	MONTGOMERY	46,296	585	27,078,832
CLERMONT	13,080	393	5,142,189	MORGAN[3]	1,409	294	413,952
CLINTON[3]	2,703	349	947,060	MORROW	2,629	332	873,507
COLUMBIANA	10,269	310	3,181,588	MUSKINGUM	6,893	361	2,580,197
COSHOCTON	2,903	342	991,560	NOBLE	1,226	277	339,277
CRAWFORD	4,206	407	1,712,479	OTTAWA	4,066	334	1,357,249
CUYAHOGA	101,179	581	58,854,906	PAULDING	1,863	376	700,741
DARKE	4,913	303	1,506,342	PERRY[3]	2,718	339	922,404
DEFIANCE	3,643	348	1,272,055	PICKAWAY	3,455	383	1,367,450
DELAWARE	8,647	449	3,882,905	PIKE	2,704	298	806,784
ERIE	6,982	372	2,595,247	PORTAGE	10,853	404	4,385,779
FAIRFIELD	9,796	354	3,470,894	PREBLE	3,858	332	1,279,369
FAYETTE[3]	2,122	400	847,880	PUTNAM	2,444	319	778,552
FRANKLIN	55,195	546	30,592,105	RICHLAND	10,461	408	4,264,561
FULTON	3,360	402	1,352,033	ROSS	5,993	339	2,081,742
GALLIA	2,943	297	873,350	SANDUSKY	5,297	321	1,700,783
GEAUGA	7,625	437	3,338,137	SCIOTO	6,836	341	2,378,484
GREENE	11,442	440	5,213,017	SENECA	4,257	335	1,468,253
GUERNSEY	3,492	363	1,269,095	SHELBY	3,507	344	1,228,956
HAMILTON	46,529	475	22,852,261	STARK	32,564	412	13,420,295
HANCOCK	5,234	357	1,870,813	SUMMIT	41,936	476	19,965,480
HARDIN	2,540	326	828,257	TRUMBULL	20,772	431	8,954,679
HARRISON	1,758	323	569,355	TUSCARAWAS	7,425	350	2,644,972
HENRY	2,386	398	948,632	UNION	2,576	437	1,124,731
HIGHLAND	3,622	295	1,066,716	VAN WERT	2,889	357	1,032,035
HOCKING	2,456	341	837,075	VINTON	1,371	294	403,385
HOLMES	1,931	354	686,719	WARREN	12,047	432	5,206,642
HURON	4,452	306	1,361,027	WASHINGTON	5,529	306	1,694,571
JACKSON	2,837	314	889,696	WAYNE	8,124	402	3,268,561
JEFFERSON	7,070	311	2,244,956	WILLIAMS	3,302	363	1,207,038
KNOX	4,677	366	1,712,917	WOOD	8,104	412	3,337,859
LAKE	20,442	458	9,372,102	WYANDOT	1,931	275	530,063
LAWRENCE	6,364	247	1,568,975				
LICKING	11,844	388	4,792,417	**TOTAL**	**854,173**	**$441**	**$378,743,424**

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 2010 data not submitted; previous year's information shown.

Public Utility Excise Tax

Ohio's public utility excise tax is a tax on the privilege of doing business in Ohio, measured by gross receipts. It dates back to 1894.

Classes of utilities liable for the tax include natural gas, heating, pipeline, telegraph, water transportation and water works companies. Companies liable for this excise tax do not pay the corporation franchise tax or the commercial activity tax.

Gross receipts comprise the tax base for the utility classes, with rates of 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers.

Close to $98.0 million in public utility excise tax liabilities were reported during the 2012 tax year. Of this, natural gas companies accounted for about 94 percent of total tax reported.

Total revenue collected from the public utility tax amounted to $116.5 million in fiscal year 2012. 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, interexchange 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 2008 - 2012[1]

Class of Utility	Number of Taxpayers in 2012	Tax Rate 2011	2008	2009	2010	2011	2012
Natural Gas[2]	32	4.75%	$160,813,160	$158,960,642	$127,582,454	$117,578,649	$92,037,145
Waterworks	10	4.75%	3,450,173	3,663,672	2,076,123	1,312,944	3,944,237
Pipeline	8	6.75%	138,309	1,108,047	1,000,979	123,570	380,200
Other[3]	4	4.75%	2,323,172	2,592,214	959,161	537,328	1,537,402
Total	**54**		**$166,724,814**	**$166,324,574**	**$131,618,718**	**$119,552,491**	**$97,898,984**

Source: Treasurer of State.

1 Amount of tax certified for collection (except for natural gas companies beginning in 2001).
2 Beginning in 2001, natural gas companies use a current payment schedule and measurement period; the figures represent tax payments made by natural gas companies during fiscal years 2008 through 2012.
3 Includes water transportation and heating.

Replacement Tire Fee

The replacement tire fee generates revenue intended to defray the cost of regulating scrap tire facilities and to abate accumulations of scrap tires. Revenue from the fee also funds grants to promote research regarding alternative methods of recycling scrap tires and loans to promote the recycling or recovery of energy from scrap tires. The fee was enacted by the Ohio General Assembly effective Dec. 1, 1993.

In fiscal year 2012, approximately $7.3 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 evenly between the Scrap Tire Management Fund and the 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 2008 – 2012

Fiscal Year	Scrap Tire Management Fund	Soil & Water Conservation Fund	Administrative Fund	Total
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
2012	3,562,850	3,562,850	145,422	7,271,122

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

Resort Area Gross Receipts Tax

The resort area gross receipts tax is a business privilege tax that may be enacted by local governments that have declared themselves to be a resort area. Revenues from the tax benefit the municipality or township that enacted it. The tax was authorized by House Bill 327 of the 120th General Assembly, which became law on June 30, 1993.

The village of Kelley's 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 2012, the tax generated approximately $995,528 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.

Administration

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

Ohio Revised Code Citations

R.C. 5739.101 – 5739.104

Table

Resort Area Gross Receipts Net Tax Revenue, Fiscal Years 2007-2012

Fiscal Year	Village of Put-in-Bay	Township of Put-in-Bay	Village of Kelley's Island	Total
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	755,530
2010	437,607	211,814	184,660	834,081
2011	487,388	212,496	120,399	820,283
2012	642,240	236,574	116,714	995,528

Sales and Use Tax

The sales and use tax is state government's second-largest source of revenue. It also represents an important revenue source for county governments and regional transit authorities which are authorized to levy "piggyback" taxes also administered by the Ohio Department of Taxation.

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

The current state sales and use tax rate, 5.5 percent, was established on July 1, 2005. During fiscal year 2012, the tax generated about $8.27 billion in revenue for state government. Of that amount 97.8 percent or $8.09 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 Dec. 31, 2011, 88 Ohio county governments levied permissive sales and use taxes ranging from 0.50 percent to 1.5 percent. During the 2011 calendar year, the state collected approximately $1.5 billion for county governments from such levies.

As of Dec. 31, 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 Laketran Transit 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 $373.5 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).

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.

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.

Exhibit 1

Description of Sales Tax
Taxpayers and Vendor's Licenses

Taxpayer	Cost of License	Description
Vendor	$25	Each person or business establishment located in Ohio making retail sales.
Transient vendor	$25	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
Seller	No fee	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
Direct pay permit holder	No fee	Consumers authorized by the Tax Commissioner to remit tax directly to the state instead of to the vendor. This authority can only be issued upon application if the Commissioner determines that granting the authority would improve compliance and increase the efficiency of the administration of the tax.
Clerks of court	No fee	Dealers remit taxes collected on sales of motor vehicles, watercraft, and outboard motors to county clerks of court when a title is issued. Clerks of court also collect the tax on casual sales of motor vehicles, and sales of watercraft and outboard motors required to be titled. Clerks of court remit these receipts to the state.
Division of Liquor Control	No fee	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
Consumers' use tax account	No fee	Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state.

The 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, 2012.

Note: Four Ohio counties – Delaware, Fairfield, Licking and Union – have more than one combined sales and use tax rate in effect because a small part of their area lies within the territory of the Central Ohio Transit Authority (COTA). The table above does not reflect the 0.5 percent COTA rate that applies in part of these four counties.

Total Rates	Number of Jurisdictions
5.75%	0
6.25%	4
6.50%	21
6.75%	14
7.00%	48
7.75%	1

Rate schedule

A combined sales tax schedule that includes local levies is outlined in R.C. 5739.025.

Sourcing

For taxable sales made by Ohio vendors and delivered to an Ohio consumer, the sales tax rate is based on the location where the vendor receives the order. Sales made by out-of-state vendors are generally sourced to the location where the consumer receives the tangible personal property.

Exceptions include services such as automatic data processing, computer services, electronic information services, telecommunications services, private investigation and security services, lawn care and landscaping services, building maintenance and janitorial services, employment services, employment placement services, exterminating services, satellite broadcasting services, and snow removal services.

For these services, the rate is based on the location where the service is received.

Special sourcing rules are in place for certain sales of electronic information services, electronic publishing services and software delivered electronically that are concurrently available for use by the consumer in multiple locations, for certain types of direct mail, for telecommunications services, and for leases.

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

Effective Jan. 1, 2010, a consumer has no additional use tax liability on the purchase of tangible personal property if the consumer paid sales tax to a vendor, regardless of whether the amount of sales tax invoiced is calculated at the rate where the consumer receives the property or the rate where the vendor received the order. Consumers do, however, have a liability on purchases made out-of-state, by catalog or via the Internet on which no sales tax has been paid. Taxpayers with an annual consumer's use tax liability exceeding $1,000 must register for a consumer's use tax account and file returns. Other taxpayers can remit consumer use tax 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

Type of Sales Tax Returns and Filing Payment Dates

Note: All monthly and semi-annual returns must be filed and paid electronically.

Type of Return	Taxpayer	Payment Date
Weekly	Clerks of court	Payment on Monday for taxes collected during the preceding week on motor vehicles, and on watercraft and outboard motors titled.
Semi-monthly	Division of Liquor Control	By the 15th day of the month for the tax collected during the last 15 days of the previous month, and by the last day of the month for the tax collected during the first 15 days of the month, on spiritous liquor sold in state-contracted liquor agency stores.
Monthly	Vendors, sellers, transient vendors, direct pay permit holders, consumer 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, consumer 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, 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

Cincinnati Golf Management, Inc. v. Testa, 2012-Ohio-2846.

The City of Cincinnati contracted with a third party to manage and operate the city's seven golf courses. The management company did not pay sales or use tax on its taxable purchases asserting that the purchases were "made on behalf of the city and [were] therefore exempt from tax." The Tax Commissioner disagreed and issued a use tax assessment to the management company. The Board of Tax Appeals affirmed the Tax Commissioner's assessment and the city and the management company appealed to the Supreme Court of Court. Based on the management contract's express disclaimer of an agency relationship between the city and the management company, the Court rejected the management's claim of exemption because the management company had no actual or express authority to bind the city to purchases made by the management company. Thus, the sales were not sales to the city and were not exempt from use tax.

Durabilt, Inc. v. Testa, 2011-Ohio-5374.

Durabilt claimed that it merely sold construction services, was not the consumer of the materials used in constructing pole buildings and, thus, was not liable for consumer's use tax on those materials. The Tax Commissioner and the Board of Tax Appeals disagreed. The Court also rejected Durabilt's claim finding that Durabilt was a construction contractor and liable for use tax on the materials used in its contracts.

Chart

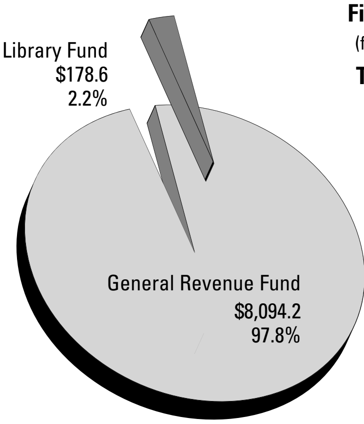


Table 1

Sales and Use Tax - Collections By Type of Payments

(includes State and County/Transit Authority Permissive Tax)

Fiscal Year 2012

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 $18,814,914. The local sales and use tax figure reflects collections during the July 2011-June 2012 period (rather than distributions made during the July 2011-June 2012 period).

Type	Amount FY 2012
Vendor's Sales	$6,739,121,081
Motor Vehicle and Water Craft (from Clerks of Court)	1,300,505,834
Seller's Use	1,073,026,874
Consumers' Use	313,979,386
Direct Payment	635,635,946
Streamlined Sales	7,381,260
Liquor Sales by Division of Liquor Control	38,813,844
Attorney General Sales and Use Tax Collections	61,503,592
Total State and Local Collections	**$10,169,967,816**
Less Local Sales and Use Tax Collections	1,908,982,912
Total State Collections	**$8,260,984,904**

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

1 Includes Attorney General collections which amount to $7.2 million.

Table 2

State and Permissive (Local) Sales and Use Tax Collections, by Industrial Classification[1]: July 2011 through June 2012[1]

Industrial Classification	NAICS codes (North American Industrial Classification System)	Number of Business Entities, January - June 2012[2]	July - December 2011 Collections	January - June 2012 Collections	Total FY 2012 Collections
Agriculture, Forestry, and Fishing	111100-115310	707	$2,352,140	$3,178,257	$5,530,397
Mining	211110-213110	131	2,664,047	3,243,746	5,907,793
Utilities (excluding telecommunications)	221100-221300	108	28,780,841	58,407,780	87,188,620
Construction	236110-238900	1,900	25,542,819	23,733,389	49,276,207
Manufacturing	311110-339900	9,507	166,545,891	175,518,840	342,064,731
Wholesale Trade	423100-425120	4,351	88,455,256	98,524,553	186,979,809
Retail Trade:					
Motor Vehicle and Parts Dealers[3]	441110-441300	5,284	179,053,920	176,827,526	355,881,446
Furniture and Home Furnishings Stores	442110-442299	3,498	91,254,876	92,581,624	183,836,500
Electronic and Appliance Stores	443111-443130	2,678	158,749,648	144,963,740	303,713,388
Building Material and Garden Equipment & Supplies	444110-444200	7,260	395,955,262	381,912,538	777,867,800
Food and Beverage Stores	445110-445310	6,987	219,131,150	215,023,729	434,154,879
Health and Personal Care Stores	446110-446190	7,362	108,453,421	125,429,345	233,882,766
Gasoline Stations	447100	1,413	80,008,188	76,901,612	156,909,801
Clothing and Clothing Accessories Stores	448110-448320	4,535	185,348,898	179,172,413	364,521,311
Sporting Goods, Hobby, Book, and Music Stores	451110-451220	6,129	100,130,529	93,403,574	193,534,103
General Merchandise Stores	452110-452900	4,269	601,432,543	543,014,505	1,144,447,048
Miscellaneous Store Retailers	453110-453990	25,784	454,300,428	462,632,379	916,932,807
Nonstore Retailers	454110-454390	4,468	75,624,446	79,097,007	154,721,452
Transportation and Warehousing	481000-493100	1,581	10,339,469	11,018,137	21,357,606
Information (including telecommunications)	511110-519100	3,289	347,217,831	357,849,912	705,067,743
Finance and Insurance	522110-525990	389	225,980,807	207,325,434	433,306,241
Real Estate, and Rental & Leasing of Property	531110-533110	3,504	111,672,538	106,327,962	218,000,500
Professional, Scientific and Technical Services	541110-541990	6,653	61,003,200	72,212,775	133,215,975
Management of Companies (Holding Companies)	551111-551112	41	4,435,804	6,001,953	10,437,757
Administrative & Support Services, and Waste Management & Remediation Services	561110-562000	10,604	166,919,040	164,310,146	331,229,186
Education, Health Care and Social Assistance	611000-624410	2,526	9,270,453	9,274,371	18,544,824
Arts, Entertainment, and Recreation	711100-713900	2,826	27,558,573	23,934,025	51,492,599
Accommodation and Food Services	721110-722410	18,658	410,758,138	387,817,009	798,575,147
Other Services	811110-812990	16,714	119,774,312	121,069,873	240,844,185
Unclassified	n/a	9,951	24,410,663	28,574,496	52,985,159
TOTAL[4]		**173,107**	**$4,483,125,130**	**$4,429,282,649**	**$8,912,407,779**

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 2012 period.

3 Tax collections from automobile and watercraft sales are not included in this table. Such taxes are collected by the county clerks of courts and then remitted to the state.

4 The data in this table is extracted from sales and use tax returns. The totals in this table do not match actual collections because this table does not include clerk of courts tax collections and because the table does not reflect subsequent adjustments made to tax returns, as well as revenue generated from audit activity.

Table 3

Sales & Use Tax
Number of Accounts By Type and Payment Schedule
(As of July 1, 2012)

	Payment Schedule			
Accounts	**Semi-Annual**	**Monthly**	**Quarterly**	**Total**
Vendor's (includes 45,322 master accounts issued by counties)	91,095	65,293		201,710
Master (accounts issued by the state)	1,571	5,475		7,046
Transient	32,049	2,662		34,711
Service	14,387	8,337		22,724
Delivery	9,541	1,443		10,984
Consumers'	0	1090	16,880	17,970
Direct Pay	0	306	163	469
Out-of-State	8,691	7,480		16,171
Totals	**157,334**	**92,086**	**17,043**	**311,785**

Table 4

County and Transit Authority Permissive Sales Tax Collections
Calendar Years 2007 - 2012

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	2007	2008	2009	2010	2011	2012	Initial Enactment	Tax Rate 12/31/11	Effective Date of Current Rate 12/31/11
ADAMS	$3,183,996	$3,118,975	$2,962,554	$3,244,305	$3,290,325	$3,453,477	June 1, 1991	1.50[1]	Apr. 1, 2006
ALLEN	14,849,544	13,972,200	13,165,331	14,246,583	14,476,312	15,362,470	May 1, 1970	1.00	June 1, 1987
ASHLAND	6,285,331	6,317,590	5,767,699	6,014,104	6,359,262	6,493,655	Mar. 1, 1971	1.25[2]	Jan. 1, 1998
ASHTABULA	8,638,589	8,570,060	7,938,933	8,570,869	8,956,657	9,187,656	Apr. 1, 1977	1.00	July 1, 1985
ATHENS	6,250,298	6,358,789	6,413,526	6,735,970	6,810,061	7,276,471	Feb. 1, 1982	1.25[2]	Jan. 1, 1994
AUGLAIZE	6,915,103	7,035,131	6,230,098	6,615,638	7,205,687	7,626,983	Nov. 1, 1973	1.50[1]	June 1, 1996
BELMONT	11,585,345	10,848,695	10,780,315	11,278,396	11,904,166	13,320,872	May 1, 1985	1.50[1]	Jan. 1, 1995
BROWN	3,251,092	3,079,320	2,962,698	3,428,393	4,184,628	4,567,733	Aug. 1, 1979	1.50[2]	Oct. 1, 2010
BUTLER	41,317,070	33,112,821	29,766,768	29,589,370	30,745,215	32,587,055	June 1, 1985	0.75	Jan. 1, 2008
CARROLL	1,803,206	1,890,307	1,655,211	1,808,510	2,009,558	2,627,854	Sep. 1, 1985	1.00	July 1, 2006
CHAMPAIGN	4,481,444	4,625,788	4,034,562	4,054,478	4,451,343	4,941,288	Jan. 1, 1986	1.50[1]	July 1, 2003
CLARK	13,429,820	18,791,959	18,679,244	19,451,080	20,374,884	21,688,732	Nov. 1, 1972	1.50[1]	Jan. 1, 2008
CLERMONT	21,257,485	20,378,457	19,140,719	20,136,697	20,991,145	21,944,859	Aug. 1, 1979	1.00	Oct. 1, 1983
CLINTON	7,821,787	7,128,412	6,931,659	6,136,736	6,589,778	6,711,477	May 1, 1972	1.50[1]	Oct. 1, 2005
COLUMBIANA	11,094,523	12,603,339	11,690,608	12,501,158	13,359,749	14,680,444	Aug. 1, 1985	1.50[1]	Apr. 1, 2007
COSHOCTON	4,387,300	4,451,826	4,080,863	4,320,072	4,460,460	4,809,662	June 1, 1971	1.50[1]	Jan. 1, 2006
CRAWFORD	4,982,615	5,036,568	4,405,433	4,511,097	4,824,614	5,357,443	May 1, 1978	1.50[1]	July 1, 1994
CUYAHOGA	179,932,073	212,711,596	194,026,358	205,211,697	218,737,889	227,706,506	Sep. 1, 1969	1.25[2]	Oct. 1, 2007
DARKE	7,500,135	7,141,728	6,373,738	6,319,928	6,733,248	7,275,748	July 1, 1975	1.50[1]	Oct. 1, 2005
DEFIANCE	4,780,726	4,647,121	4,311,802	4,426,385	4,931,361	5,058,795	Feb. 1, 1987	1.00	Feb. 1, 1987
DELAWARE	36,304,531	35,941,918	35,899,776	38,088,578	41,361,429	44,263,579	Jan. 1, 1972	1.25[2]	Oct. 1, 1996
ERIE	12,544,818	12,749,346	11,766,426	12,754,912	13,370,369	13,709,346	Mar. 1, 1977	1.00	May 1, 1993
FAIRFIELD	11,326,997	11,564,477	11,668,564	15,769,483	16,656,582	17,577,486	Sep. 1, 1981	1.00	Jan. 1, 2010
FAYETTE	4,684,890	6,626,664	6,675,310	6,590,732	6,910,207	7,176,324	Mar. 1, 1983	1.50[1]	Jan. 1, 2008
FRANKLIN	177,768,109	136,336,222	122,649,116	129,329,538	135,742,789	146,924,300	Sep. 1, 1985	0.75	Jan. 1, 2008
FULTON	4,058,595	4,147,325	3,728,875	5,598,907	6,142,580	6,524,783	May 1, 1972	1.50	Jan. 1, 2010
GALLIA	4,074,918	4,240,343	4,025,647	4,072,767	4,251,704	4,452,280	Dec. 1, 1981	1.25[1]	Feb. 1, 1995
GEAUGA	11,632,972	11,453,277	10,409,829	10,533,228	11,183,037	11,744,574	Aug. 1, 1987	1.00[2]	Feb. 1, 2004
GREENE	21,106,684	20,903,959	20,558,891	21,130,730	21,965,538	22,576,311	Mar. 1, 1971	1.00	Feb. 1, 1987
GUERNSEY	5,860,713	5,849,364	6,131,011	6,094,236	6,185,035	6,991,330	Feb. 1, 1971	1.50[1]	Aug. 1, 1993
HAMILTON	133,199,307	129,798,378	120,408,014	125,730,107	130,231,179	134,095,877	June 1, 1970	1.00[1]	June 1, 1996
HANCOCK	5,619,402	5,365,589	11,218,865	11,033,039	11,623,579	12,134,502	Feb. 1, 1979	1.00[2]	Jan. 1, 2010
HARDIN	3,369,736	3,188,497	3,166,318	3,413,571	3,553,743	3,858,197	Oct. 1, 1985	1.50[1]	Jan. 1, 2005
HARRISON	1,354,411	1,287,617	1,254,949	1,377,080	1,496,851	1,988,873	Dec. 1, 1985	1.50[1]	June 1, 1994
HENRY	3,224,179	3,678,937	3,428,056	3,666,295	3,652,943	3,745,332	Mar. 1, 1972	1.50[1]	Apr. 1, 2007
HIGHLAND	5,172,130	4,952,521	4,874,812	5,208,362	5,333,384	5,748,286	May 1, 1979	1.50[1]	July 1, 2005
HOCKING	2,864,739	2,847,045	2,727,787	2,909,631	3,066,854	3,242,670	Apr. 1, 1979	1.25[2]	Jan. 1, 1998
HOLMES	4,351,938	4,577,731	4,249,652	4,514,354	4,943,420	5,669,594	July 1, 1977	1.00	Jan. 1, 1998
HURON	7,851,113	7,593,299	6,926,248	7,598,363	8,225,716	8,341,836	Feb. 1, 1978	1.50[1]	Jan. 1, 1996
JACKSON	4,512,968	4,356,868	4,173,994	4,487,441	4,555,733	4,820,060	Apr. 1, 1982	1.50[1]	Jan. 1, 1998
JEFFERSON	10,369,775	10,445,767	9,437,739	9,866,645	10,069,882	10,837,108	June 1, 1973	1.50[1]	Nov. 1, 1994
KNOX	5,404,741	5,439,283	4,951,627	5,206,251	5,437,944	5,878,455	May 1, 1971	1.00[2]	Feb. 1, 1994
LAKE	15,841,911	15,529,714	14,353,531	14,629,554	15,546,168	26,101,830	July 1, 1969	1.00	April 1, 2012
LAWRENCE	6,723,374	6,808,072	6,587,932	7,260,402	7,500,362	8,014,074	June 1, 1986	1.50[1]	June 1, 1998
LICKING	24,751,138	24,283,013	23,055,893	23,619,086	24,804,013	26,568,612	Feb. 1, 1971	1.50[1]	Jan. 1, 2006
LOGAN	7,525,447	7,706,490	6,796,016	6,888,277	7,197,092	8,263,153	Jan. 1, 1974	1.50[1]	July 1, 1997
LORAIN	23,760,781	22,873,860	30,262,475	26,902,971	23,604,816	24,629,683	July 1, 1985	0.75[2]	Apr. 1, 2010
LUCAS	71,801,939	70,363,214	64,340,305	68,074,916	72,035,425	75,190,408	Feb. 1, 1971	1.25[2]	Jan. 1, 1993
MADISON	4,387,076	4,580,027	3,828,322	3,997,908	4,360,382	4,950,404	Mar. 1, 1983	1.25[2]	July 1, 1999
MAHONING	28,431,266	27,981,245	25,971,965	27,477,879	29,699,553	30,560,903	Apr. 1, 1980	1.00[1]	Oct. 1, 2005
MARION	$7,189,172	6,884,440	6,255,481	6,509,927	$7,370,344	8,822,125	Sep. 1, 1985	1.00	Apr. 1, 2012
MEDINA	11,510,099	19,162,818	18,058,064	18,677,184	19,860,141	20,967,352	Apr. 1, 1971	1.00[1]	Oct. 1, 2007
MEIGS	1,230,960	1,225,559	1,214,295	1,265,083	1,374,024	1,548,358	Feb. 1, 1987	1.50[1]	Oct. 1, 2012
MERCER	3,780,028	5,350,703	5,478,648	5,800,489	6,187,061	6,558,156	Nov. 1, 1971	1.50[1]	Apr. 1, 2008
MIAMI	10,799,595	10,902,816	10,212,564	13,068,299	13,898,864	14,992,069	Dec. 1, 1969	1.25	Oct. 1, 2009
MONROE	1,358,363	1,511,174	1,437,392	1,456,441	1,683,852	1,979,919	Oct. 1, 1986	1.50[1]	Jan. 1, 2010
MONTGOMERY	64,377,557	64,340,111	58,729,714	60,821,918	66,650,957	68,802,117	Jan. 1, 1971	1.00	July 1, 1989
MORGAN	1,060,863	1,168,308	1,135,842	1,188,810	1,226,386	1,327,625	Feb. 1, 1972	1.50[1]	Apr. 1, 1990

(Cont'd. on the next page)

1 Includes a 0.50% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.
2 Includes a 0.25% tax authorized for one or more specific purposes under Sections 5739.026 and 5741.023 of the Ohio Revised Code.

Table 4 (cont'd.)

County and Transit Authority Permissive Sales Tax Collections
Calendar Years 2007 - 2012

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	2007	2008	2009	2010	2011	2012	Initial Enactment	Tax Rate 6/30/11	Effective Date of Current Rate
MORROW	$2,789,891	$2,732,270	$2,418,133	$2,615,260	$2,781,257	$3,101,111	July 1, 1971	1.50[1]	Jul 1, 1995
MUSKINGUM	14,691,024	14,690,306	14,997,407	14,892,841	14,992,113	16,025,390	May 1, 1971	1.50[1]	Apr. 1, 1993
NOBLE	1,056,971	1,047,565	1,093,626	1,090,451	1,098,781	1,324,419	Jan. 1, 1971	1.50[1]	Feb. 1, 1995
OTTAWA	5,128,283	5,198,860	4,813,331	5,516,198	6,373,589	6,656,096	Oct. 1, 1973	1.25	July 1, 2010
PAULDING	1,596,866	1,563,396	1,352,623	1,515,998	1,674,064	1,805,275	Apr. 1, 1984	1.50[1]	Nov. 1, 1991
PERRY	1,818,043	1,799,201	1,854,544	2,524,910	3,079,116	3,345,027	Mar. 1, 1971	1.50[1]	Apr. 1, 2010
PICKAWAY	5,860,320	5,952,481	6,335,068	5,910,137	6,304,828	6,581,369	Oct. 1, 1983	1.50[1]	Dec. 1, 2001
PIKE	3,448,304	3,649,439	3,444,775	3,691,117	3,840,756	4,807,275	May 1, 1988	1.50[1]	Jan. 1, 2006
PORTAGE	14,884,820	15,133,049	14,468,521	15,924,811	16,484,674	17,356,453	Apr. 1, 1971	1.00	Dec. 1, 1999
PREBLE	4,383,637	4,340,758	3,978,709	4,444,872	5,027,910	4,729,872	Nov. 1, 1979	1.50[1]	May 1, 1994
PUTNAM	3,450,810	3,378,346	3,810,132	4,078,573	4,770,923	4,967,257	Jan. 1, 1974	1.50[1]	Jan. 1, 2009
RICHLAND	18,564,613	18,463,217	16,998,124	18,121,298	18,750,452	20,937,410	June 1, 1979	1.50[1]	July 1, 2012
ROSS	11,221,083	10,999,022	11,254,090	11,951,369	12,341,994	13,392,672	Jan. 1, 1980	1.50[1]	Oct. 1, 1993
SANDUSKY	7,615,121	7,350,669	6,981,002	8,008,419	9,632,765	9,860,147	Aug. 1, 1979	1.50[2]	Oct. 1, 2010
SCIOTO	9,177,698	9,227,388	9,176,979	10,048,182	10,385,019	10,911,682	May 1, 1979	1.50[1]	May 1, 2001
SENECA	6,748,385	7,088,480	6,380,064	6,800,668	6,962,100	7,486,824	Oct. 1, 1983	1.50[1]	Aug. 1, 2003
SHELBY	8,109,136	7,490,908	6,539,566	6,816,661	7,450,890	8,186,678	Mar. 1, 1971	1.50[1]	Apr 1, 2008
STARK	11,789,500	11,669,979	24,059,403	18,532,610	6,978,106	16,488,040	Jan. 1, 1987	0.50	Apr. 1, 2012
SUMMIT	36,696,575	35,672,063	33,085,279	34,576,726	36,191,562	38,174,038	Mar. 1, 1973	0.50	Nov. 1, 1995
TRUMBULL	21,444,461	21,118,330	19,420,353	20,753,184	22,517,348	23,090,076	June 1, 1985	1.00	July 1, 2005
TUSCARAWAS	9,431,540	9,410,168	8,662,339	9,143,507	9,709,327	10,666,204	Apr. 1, 1971	1.00	July 1, 1998
UNION	8,354,287	9,630,696	8,956,881	9,294,054	9,487,591	12,045,553	Apr. 1, 1989	1.25[2]	July 1, 2008
VAN WERT	3,457,911	3,542,444	3,268,999	3,773,437	3,904,204	4,073,386	Mar. 1, 1972	1.50[1]	Mar. 1, 1991
VINTON	868,227	829,382	794,454	895,288	970,795	1,079,822	May 1, 1985	1.50[1]	Mar. 1, 1992
WARREN	26,750,180	26,612,718	26,201,291	27,206,741	28,359,839	30,624,217	Jan. 1, 1972	1.00[1]	Jan. 1, 1992
WASHINGTON	9,800,889	9,662,989	9,027,451	9,811,462	10,385,166	11,148,789	Oct. 1, 1983	1.50[1]	Jan. 1, 1990
WAYNE	8,529,027	8,486,153	7,722,607	8,106,668	8,787,045	9,358,877	Mar. 1, 1971	0.75	Jan. 1, 1992
WILLIAMS	4,923,737	4,942,414	4,351,902	4,573,015	4,800,583	5,097,082	Dec. 1, 1977	1.50[1]	Oct. 1, 2003
WOOD	15,403,260	15,949,426	15,091,591	15,579,034	16,623,884	17,164,132	June 1, 1971	1.00	Nov. 1, 1987
WYANDOT	2,705,482	2,691,934	2,507,231	2,637,310	2,975,397	3,382,629	Feb. 1, 1985	1.50[1]	Oct. 1, 2005
COUNTY TOTAL	**$1,405,634,797**	**$1,396,160,722**	**$1,328,414,534**	**$1,390,049,665**	**$1,453,998,354**	**$1,558,170,937**			
CLEVELAND RTA (CUYAHOGA CO.)	$173,161,230	$170,707,698	$155,282,828	$164,069,879	$174,934,574	$181,914,698	Oct. 1, 1975	1.00	Oct 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	47,598,995	88,246,021	87,819,553	93,011,284	98,049,602	105,869,439	Sep. 1, 1980	0.50	Jan 1, 2008
LAKETRAN TA (LAKE CO.)	7,913,161	7,744,815	7,157,306	7,294,636	7,759,654	7,869,357	Aug. 1, 1988	0.25	Aug 1, 1988
WESTERN RESERVE TA (MAHONING CO.)			4,167,214	6,834,623	7,415,654	7,629,416		0.25	Apr 1, 2009
GREATER DAYTON RTA (MONTGOMERY CO.)	32,185,370	32,149,806	29,341,697	30,373,587	33,285,528	34,356,160	July 1, 1980	0.50	Jul 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	3,705,852	3,775,726	3,608,868	3,976,097	4,115,662	4,335,903	Feb. 1, 2002	0.25	Feb 1, 2002
STARK AREA RTA (STARK CO.)	11,785,691	11,696,465	10,410,581	11,148,815	11,793,115	12,544,581	July 1, 1997	0.25	Jul 1, 1997
METRO TA (SUMMIT CO.)	18,306,155	24,848,457	32,829,001	34,385,448	36,110,561	38,121,576	Feb. 1, 1991	0.50	Jul 1, 2008
TRANSIT AUTHORITY TOTAL	**$294,656,453**	**$339,168,988**	**$330,617,048**	**$351,094,368**	**$373,464,350**	**$392,641,130**			
GRAND TOTAL	**$1,700,291,250**	**$1,735,329,710**	**$1,659,031,582**	**$1,741,144,032**	**$1,827,462,704**	**$1,950,812,067**			

Source: Department of Taxation, Revenue Accounting Division

Severance Tax

The severance tax, enacted by the Ohio General Assembly effective in 1972, is paid by persons or firms that extract, or sever, certain natural resources from the soil or waters of Ohio. The tax produced $10.2 million during fiscal year 2012. Severers are licensed by the Tax Commissioner and other designated state agencies.

Taxpayer

(Ohio Revised Code 5749.02)

The tax is paid by holders of severance permits.

Tax Base

(R.C. 5749.02)

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates

(R.C. 5749.02)

The tax rates on the severance of most natural resources are as follows:

Resource	Tax Rate
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Natural gas	2.5 cents per Mcf [1]
Oil	10 cents per barrel
Salt	4 cents per ton

The base tax rate on coal is 10 cents per ton. This does not include two additional levies that have applied since April 1, 2007:

- An additional 1.2 cents per ton on surface mining operations.
- An additional 12, 14 or 16 cents per ton reclamation tax on operations without a full cost bond, depending on the amount. This rate varies based on the amount remaining in the state Reclamation Forfeiture Fund at the end of each state budget biennium. The rate is 12 cents if the balance of the fund is $10 million or more; 14 cents if it is between $10 million and $5 million; and 16 cents if it is $5 million or less.

1 Mcf means 1,000 cubic feet.

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 14 cents effective Jan. 1, 2012. The previous rate was 16 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.

The Coal Mining Administration Fund receives 80.95 percent of the 10 cents tax on coal. The Reclamation Forfeiture Fund receives all of the revenue from the tax on coal operations without a full cost bond, which may vary from 12 cents to 16 cents depending on the amount in the fund.

The Surface Mining Administrative Fund receives:

- 50 percent of limestone, dolomite, sand, and gravel severance tax collections;
- all clay, sandstone, conglomerate, shale, gypsum, and quartzite severance tax collections.

Administration

The tax is administered by the Tax Commissioner, who also makes distribution to the various funds.

Ohio Revised Code Citations

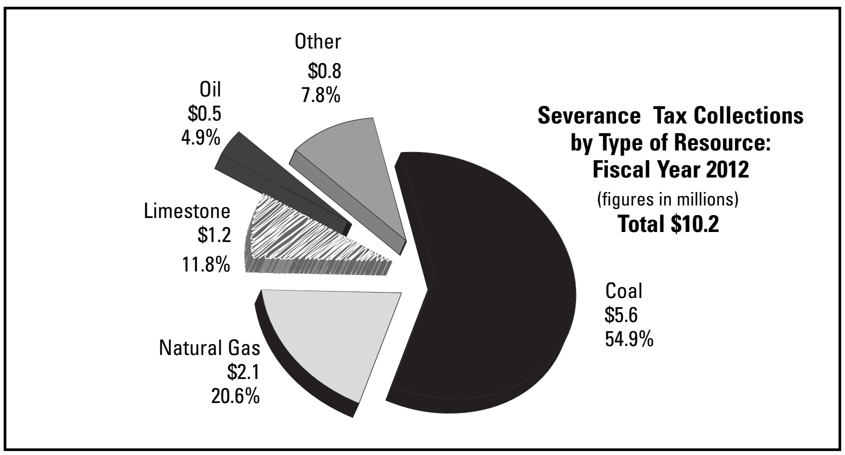
Chapter 5749.

Recent Legislation

House Bill 1, 128th General Assembly

Change to revenue distribution of salt severance tax – This bill amended R.C. 5749.02(B), effective Oct. 16, 2009, to begin crediting all revenues from the salt component of the severance tax to the Geological Mapping Fund. Previously, the fund had only received 15 percent of revenue from salt severance.

Chart



Table

Severance Tax Collections
Fiscal Years 2008-2012

Natural Resource	Tax Rate	2008	2009	2010	2011	2012
Coal	10 cents per ton	$2,224,007	$2,717,837	$2,668,161	$2,734,665	$2,283,374
Coal - Reclamation Tax	0.14 cents per ton	2,159,954	3,435,718	3,488,169	3,964,177	3,240,272
Coal - Surface Mining	1.2 cents per ton	79,891	118,923	112,845	105,995	103,206
Natural Gas	2.5 cents per 1,000 cubic feet	1,973,148	2,069,704	2,067,986	2,108,546	2,049,023
Limestone	2 cents per ton	1,299,974	1,111,512	883,334	1,004,210	1,186,194
Oil	10 cents per barrel	528,280	499,297	487,165	474,886	467,111
Gravel	2 cents per ton	394,991	337,919	256,826	255,360	260,370
Sand	2 cents per ton	405,561	369,937	293,012	330,431	329,857
Dolomite	2 cents per ton	19,443	41,464	9,006	18,714	21,173
Salt	4 cents per ton	211,046	245,660	233,521	224,192	195,626
Clay	1 cents per ton	21,982	12,890	11,501	8,830	12,247
Sandstone	1 cents per ton	17,669	14,321	8,928	9,244	9,642
Shale	1 cents per ton	27,292	24,693	33,895	20,451	20,631
Gypsum	1 cents per ton	-	-	-	-	-
Quartzite	1 cents per ton	3,343	2,152	2,155	2,012	3,464
Total		**$9,366,581**	**$9,362,791**	**$11,011,233**	**$11,590,804**	**$10,182,190**

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.

In 2011, the General Assembly enacted House Bill 153 reducing the amount credited to the LGF. From August 2011 through June 2012, the amount credited to the LGF was 75% of the amount received during the respective months of July 2010-June 2011. For July 2012 through June 2013 the amount credited is 50% of the amount received during the respective months of July 2010-June 2011. Beginning January 2012, Dealers in Intangibles were credited to the state GRF and no longer distributed to the counties.

During the 2012 calendar year, approximately $430.2 million was distributed to counties and $34.8 million was distributed directly to municipalities from the Local Government Fund.

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.

For 2012, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% of the July 2010-June 2011 distributions. Items to note:

- An additional $49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles were credited to the state GRF only and no longer 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 through June 2013, 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.

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 during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% 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 be credited to the state GRF and no longer be distributed to the counties.
- Beginning in August 2011 through June 2013, 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

Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 2002-2012

Calender Year	Local Government Fund Amount	Local Government Fund Percent Change	Dealers in Intangibles Tax Amount	Dealers in Intangibles Tax Percent Change	LGF and Intangibles Tax Combined Amount	LGF and Intangibles Tax Combined Percent Change
2002	$670,658,730	4.93	$11,229,780	29.4	$681,888,510	5.47
2003	661,828,265	-1.32	9,097,256	-18.99	670,925,521	-1.61
2004	661,828,265	-0.00	10,448,586	-14.85	672,276,851	-0.20
2005	661,828,265	0.00	11,660,148	11.60	673,488,413	0.18
2006	661,828,265	0.00	13,908,699	19.28	675,736,964	0.33
2007	661,828,265	0.00	12,605,989	9.37	674,434,254	0.19
2008[1]	745,649,267	12.67	11,852,573	-5.98	757,501,840	-12.32
2009	641,403,389	13.98	13,210,244	-11.45	654,613,633	13.58
2010	649,981,842	-1.34	13,534,972	2.46	663,516,814	-1.36
2011[2]	648,162,293	-0.28	13,751,305	1.60	661,913,598	-0.24
2012[3]	464,967,126	-28.26	6,619	-99.95	464,973,745	-29.75

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

2 2011 displays the beginning effects of H.B. 153.

3 2012 displays the effects of H.B. 153. The last Dealers in Intangibles Tax distribution was in January 2012 for December receipts. Beginning January 2012, all dealers in intangibles tax was credited to the GRF.

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2012

County	To Counties[1]	To Municipalities	Total	County	To Counties[1]	To Municipalities	Total
ADAMS	$785,567	$505	$786,073	LOGAN	$1,293,246	$70,691	$1,363,937
ALLEN	$3,247,188	$189,336	$3,436,523	LORAIN	$11,517,783	$670,176	$12,187,958
ASHLAND	$1,514,463	$98,732	$1,613,194	LUCAS	$17,495,263	$2,110,014	$19,605,276
ASHTABULA	$2,869,753	$139,881	$3,009,634	MADISON	$1,028,740	$46,427	$1,075,167
ATHENS	$1,461,329	$84,715	$1,546,044	MAHONING	$7,149,183	$444,807	$7,593,990
AUGLAIZE	$1,639,005	$105,132	$1,744,137	MARION	$1,892,188	$119,146	$2,011,333
BELMONT	$2,025,705	$14,070	$2,039,774	MEDINA	$4,868,496	$191,131	$5,059,627
BROWN	$880,063	$9,873	$889,935	MEIGS	$715,326	$6,000	$721,326
BUTLER	$10,318,953	$669,409	$10,988,362	MERCER	$1,327,946	$42,118	$1,370,064
CARROLL	$785,647	$9,190	$794,837	MIAMI	$3,658,906	$253,634	$3,912,540
CHAMPAIGN	$1,029,408	$51,800	$1,081,209	MONROE	$458,960	$3,468	$462,429
CLARK	$4,062,920	$310,879	$4,373,799	MONTGOMERY	$22,235,762	$2,381,679	$24,617,440
CLERMONT	$3,111,263	$31,900	$3,143,162	MORGAN	$461,071	$5,610	$466,681
CLINTON	$1,152,598	$37,079	$1,189,677	MORROW	$785,585	$12,512	$798,097
COLUMBIANA[2]	$2,936,245	$115,764	$3,052,009	MUSKINGUM	$2,178,532	$129,890	$2,308,422
COSHOCTON	$1,024,453	$34,787	$1,059,240	NOBLE	$418,644		$418,644
CRAWFORD	$1,500,429	$81,957	$1,582,386	OTTAWA	$1,191,174	$37,859	$1,229,033
CUYAHOGA	$76,633,484	$7,808,973	$84,442,457	PAULDING	$743,878	$1,165	$745,044
DARKE	$1,696,557	$61,649	$1,758,206	PERRY	$794,626	$11,362	$805,988
DEFIANCE	$1,276,135	$67,491	$1,343,627	PICKAWAY	$1,309,036	$50,698	$1,359,733
DELAWARE	$3,455,558	$127,958	$3,583,516	PIKE	$785,602	$10,362	$795,963
ERIE	$2,661,507	$105,073	$2,766,580	PORTAGE	$4,455,701	$279,964	$4,735,665
FAIRFIELD	$3,561,036	$155,402	$3,716,438	PREBLE	$1,080,058	$42,802	$1,122,860
FAYETTE	$892,180	$38,316	$930,497	PUTNAM	$1,037,638	$35,752	$1,073,390
FRANKLIN	$52,735,601	$6,168,484	$58,904,084	RICHLAND	$4,349,078	$331,634	$4,680,713
FULTON	$1,411,380	$94,625	$1,506,005	ROSS	$2,031,740	$98,833	$2,130,572
GALLIA	$807,895	$17,237	$825,132	SANDUSKY	$2,043,123	$106,068	$2,149,192
GEAUGA	$1,951,308	$65,390	$2,016,699	SCIOTO	$1,814,538	$69,262	$1,883,800
GREENE	$5,789,651	$163,667	$5,953,318	SENECA	$1,948,372	$129,889	$2,078,261
GUERNSEY	$1,062,410	$36,565	$1,098,975	SHELBY	$1,709,444	$135,954	$1,845,398
HAMILTON	$36,460,493	$4,049,876	$40,510,369	STARK	$11,131,330	$783,426	$11,914,756
HANCOCK	$2,788,480	$146,522	$2,935,003	SUMMIT	$24,294,619	$2,087,376	$26,381,995
HARDIN	$920,092	$37,330	$957,422	TRUMBULL	$6,484,580	$319,347	$6,803,927
HARRISON	$619,267	$8,724	$627,991	TUSCARAWAS	$3,072,226	$123,928	$3,196,154
HENRY	$933,840	$35,301	$969,141	UNION	$1,096,388	$47,762	$1,144,150
HIGHLAND	$995,775	$41,912	$1,037,687	VAN WERT	$964,822	$53,331	$1,018,153
HOCKING	$785,789	$23,902	$809,691	VINTON	$371,507		$371,507
HOLMES	$805,721	$8,542	$814,263	WARREN	$4,852,632	$256,526	$5,109,158
HURON	$1,929,298	$151,771	$2,081,069	WASHINGTON	$1,672,873	$81,540	$1,754,413
JACKSON	$893,175		$893,175	WAYNE	$3,517,686	$161,503	$3,679,189
JEFFERSON	$2,768,321	$126,172	$2,894,493	WILLIAMS	$1,378,417	$89,859	$1,468,276
KNOX	$1,420,410	$74,889	$1,495,299	WOOD	$4,017,307	$290,043	$4,307,350
LAKE	$12,065,630	$788,662	$12,854,292	WYANDOT	$842,962	$35,074	$878,037
LAWRENCE	$1,343,769	$23,693	$1,367,461				
LICKING	$4,693,623	$215,011	$4,908,634	**TOTAL**	**$430,180,360**	**$34,786,766**	**$464,967,126**

1 No longer includes Dealers in Intangibles tax distributions for counties due to House Bill 153 crediting all dealers in intangibles tax to the GRF beginning January 2012.

2 Includes $1,468,122 redirected to the county's fiscal agent.

Public Library Fund

The Public Library Fund, formerly known as the Library and Local Government Support Fund, was created by the General Assembly in 1985 as part of a broader effort to phase out the intangible personal property tax. The fund was designed to offset the loss of revenue from the intangibles tax, then a key source of revenue for local libraries, by directing a share of state income tax collections to a fund established in each county. In turn, county officials distribute the revenue from that county fund to libraries and local governments.

The name of the state fund was changed from the Library and Local Government Support Fund to the Public Library Fund effective June 20, 2008 by Senate Bill 185.

Since 1993, permanent law had called for the fund to receive a fixed 5.7 percent of income tax collections, distributed to counties according to a formula outlined in the Ohio Revised Code. But these provisions were set aside by the 124th, 125th and 126th general assemblies as part of a series of temporary local government fund "freezes." Accordingly, from mid-2001 through mid-2007, Public Library Fund revenue was distributed to counties based largely on the amount received during the previous year.

The fund was reorganized as part of House Bill 119, enacted in June 2007 by the 127th General Assembly. Starting in January 2008, the Public Library Fund began receiving a fixed 2.22 percent of all General Revenue Fund (GRF) tax collections. Distributions from the fund to counties returned to the old formula outlined in R.C. 5747.46.

In 2009, the 128th General Assembly enacted House Bill 1, temporarily reducing the fixed percentage of GRF tax collections that are to be deposited into the fund. From Aug. 1, 2009 through June 30, 2011, this percentage was 1.97 percent.

From August 2011 through June 2013, the 129th General Assembly enacted House Bill 153 reducing the amount credited to the PLF to 95% of the amount received during the respective months in July 2010 through June 2011.

During the 2012 calendar year, counties received approximately $344.0 million from the Public Library Fund.

Revenue Sources

(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 2012, 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:

- Must account for $3,689,401 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2012, and $3,689,788 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2013.

For the January 2012-June 2013 distribution months, each county is to receive in distribution the same percentage that it received during CY 2011 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 the Library for the Blind in FY 2012, and $3,689,788 transfer to OPLIN and $1,274,194 transfer to the Library for the Blind in FY 2013.
- 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.
- For the January 2012-June 2013 distribution months, each county is to receive in distribution the same percentage that it received during CY 2011 distributions.

Table 1

Local Government Support Fund/Public Library Fund
Total Amounts Distributed to Counties:
Calendar Years 1989 - 2012

Calendar Year	Guaranteed Share	Equalization Share	Total Distribution	Percent Change in Total Distribution
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[1]	268,793,142	–	268,793,142	0.00
1993[2]	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[3]	–	–	496,458,342	1.10
2002[4]	–	–	457,671,290	7.80
2003[5]	–	–	452,648,009	- 1.10
2004[6]	–	–	455,470,323	- 0.60
2005[7]	–	–	457,970,324	0.50
2006[7]	–	–	457,970,324	–
2007[7]	–	–	457,970,324	–
2008[8]	450,578,991	–	450,578,991	1.67
2009[9]	370,367,615	–	370,367,615	- 17.8
2010[9]	347,952,236	–	347,952,236	- 6.10
2011[10]	349,963,756	14,707,352	364,671,108	4.80
2012[11]	344,026,827	–	344,026,827	-5.66

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 2011period only due to H.B. 153.
11 Reflects the effects of H.B. 153. Figure shown is after transfers to OPLIN and Library for the Blind.

Table 2

Public Library Fund:
Calendar Year 2012

County	Amount	County	Amount	County	Amount
ADAMS	$755,065	HAMILTON	$35,515,843	NOBLE	$351,860
ALLEN	$3,148,668	HANCOCK	$2,242,213	OTTAWA	$1,178,130
ASHLAND	$1,464,012	HARDIN	$876,322	PAULDING	$564,382
ASHTABULA	$2,847,124	HARRISON	$510,750	PERRY	$924,067
ATHENS	$1,674,531	HENRY	$817,785	PICKAWAY	$1,410,767
AUGLAIZE	$1,335,216	HIGHLAND	$1,076,088	PIKE	$734,515
BELMONT	$2,027,155	HOCKING	$761,167	PORTAGE	$4,161,932
BROWN	$1,071,741	HOLMES	$993,890	PREBLE	$1,154,706
BUTLER	$8,856,997	HURON	$1,662,119	PUTNAM	$963,195
CARROLL	$783,197	JACKSON	$904,648	RICHLAND	$3,765,071
CHAMPAIGN	$1,029,986	JEFFERSON	$2,202,791	ROSS	$2,029,400
CLARK	$4,129,146	KNOX	$1,450,955	SANDUSKY	$1,763,560
CLERMONT	$4,612,663	LAKE	$6,605,094	SCIOTO	$2,251,512
CLINTON	$1,106,418	LAWRENCE	$1,762,209	SENECA	$1,727,749
COLUMBIANA	$3,103,032	LICKING	$3,847,953	SHELBY	$1,345,613
COSHOCTON	$1,038,942	LOGAN	$1,239,377	STARK	$11,203,203
CRAWFORD	$1,364,865	LORAIN	$7,856,593	SUMMIT	$16,100,190
CUYAHOGA	$48,168,285	LUCAS	$13,976,992	TRUMBULL	$6,485,928
DARKE	$1,523,525	MADISON	$1,101,142	TUSCARAWAS	$2,465,457
DEFIANCE	$1,119,024	MAHONING	$7,575,732	UNION	$1,050,240
DELAWARE	$2,592,449	MARION	$1,843,987	VAN WERT	$856,123
ERIE	$2,373,050	MEDINA	$3,863,834	VINTON	$331,260
FAIRFIELD	$3,302,066	MEIGS	$657,322	WARREN	$3,873,528
FAYETTE	$791,284	MERCER	$1,150,046	WASHINGTON	$1,780,046
FRANKLIN	$31,351,560	MIAMI	$2,826,764	WAYNE	$3,178,253
FULTON	$1,166,069	MONROE	$425,517	WILLIAMS	$1,101,894
GALLIA	$891,404	MONTGOMERY	$17,808,725	WOOD	$3,720,109
GEAUGA	$2,909,565	MORGAN	$399,297	WYANDOT	$642,065
GREENE	$4,091,420	MORROW	$834,271		
GUERNSEY	$1,120,307	MUSKINGUM	$2,373,877	**TOTAL**	**$344,026,827**

Tangible Property Tax Replacement Fund

This chapter deals with two revenue-sharing funds, the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund. The tangible property tax replacement funds were created by the 126th General Assembly in 2005 as part of Am. House Bill 66, the fiscal year 2006-07 biennial budget bill. House Bill 66 phased out the tangible personal property taxes, and made a number of other tax code changes including the enactment of the commercial activity tax.

The tangible personal property (TPP) tax, which applied to property used in business in Ohio, was a noteworthy source of local property tax revenue. Reimbursements to schools and local governments were established to replace local revenue losses attributed to the phase out of the tax on TPP. Reimbursements were based on the product of millage levied as of September 1, 2005 and 2004 tangible personal property tax values. Reimbursement payments increased as local revenues decreased due to the phase-out, with full reimbursement provided in 2010. The fiscal year 2012-2013 biennial budget bill, H.B. 153 of the 129th General Assembly, made significant changes to the phase-out of reimbursement payments in November 2011 and thereafter. The changes implemented a measure of relative need in determining the level of reimbursement for school districts and local governments.

During fiscal year 2012, approximately $764 million was distributed to schools and joint vocational districts from the school district tangible property tax replacement fund. Approximately $425 million was distributed to counties, municipalities, townships, and special districts from the Local Government Tangible Property Tax Replacement Fund in calendar year 2012.

Revenue Sources

(Ohio Revised Code 5751.20)

In fiscal year 2012, 52.5 percent of commercial activity tax (CAT) receipts were dedicated to the School District Tangible Property Tax Replacement Fund and 22.5 percent was deposited into the Local Government Tangible Property Tax Replacement Fund. In fiscal year 2013 and thereafter, 35 percent of CAT receipts are to be deposited in the School District Tangible Property Tax Replacement Fund and 15 percent in the Local Government Tangible Property Tax Replacement Fund. A transfer from the General Revenue Fund will be made if the replacement funds are insufficient to make the calculated reimbursement payments. Any balance in the replacement funds, after reimbursements are distributed, will be allocated to the General Revenue Fund.

Distributions to Schools & Local Governments

(Ohio Revised Code 5751.21 & 5751.22)

Local government replacement payments are calculated on a calendar year basis and school district replacement payments are calculated on a fiscal year basis.

In calendar year 2012, replacement payments for the fixed-rate levies of counties, townships, and special districts as well as municipal operating levies were equal to the sum 2010 reimbursements less 4 percent of the local government's calculated 2010 total resources. Reimbursement for municipal non-operating levies, including pension and capital improvement levies, for calendar year 2012 was equal to 50 percent of the levy's 2010 reimbursement.

In fiscal year 2012, replacement payments to school and joint vocational districts for fixed-rate operating levies were equal to fiscal year 2010 reimbursements less 4 percent of the district's total resources. Reimbursement for non-operating fixed-rate levies, including permanent improvement and classroom facilities levies, was equal to 75 percent of the fiscal year 2010 reimbursement. Reimbursement for fixed-sum levies (including emergency and voted bond levies) is not subject to phase-out.

Distribution Procedure

(Ohio Revised Code 5751.21 & 5751.22)

Distributions are made from the state to counties on or before the 30th day of November and 31st day of May. The County Treasurer/auditor then distributes payments to the appropriate local government within 30 days.

Direct payments from the Ohio Department of Education are made to school and joint vocational districts on or before the 20th day of November and the last day of May. A portion of the reimbursement is made to schools through the state education funding mechanism.

Use of funds

Reimbursements to schools and local governments are to be utilized for the purpose of the originally qualifying levy.

Table 1

Commercial Activity Tax Revenues vs. Required TPP Tax Replacement Payments

(Dollar amounts in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total CAT Revenues	$594.90	$963.70	$1,179.20	$1,341.60	$1,436.90	$1,640.38
GRF Revenues	$0.00	$0.00	$0.00	$0.00	$0.00	$417.13
Required Tangible Personal Proprety Tax Replacement Payments	$571.30	$931.60	$1,275.00	$1,624.00	$1,651.80	$1,189.93
Surplus to GRF/ (Shortfall paid from GRF)	$23.60	$32.10	($95.80)	($282.40)	($214.90)	$33.32

Table 2

Tangible Personal Property Tax Replacement Payments by County, Fiscal Year 2012

County	Tax Replacement Payments[1]	County	Tax Replacement Payments[1]
ADAMS	$293,488	LICKING	$9,022,990
ALLEN	18,119,832	LOGAN	7,769,810
ASHLAND	4,384,940	LORAIN	22,294,114
ASHTABULA	11,658,969	LUCAS	53,533,903
ATHENS	1,739,562	MADISON	3,990,404
AUGLAIZE	6,353,096	MAHONING	15,855,563
BELMONT	2,699,171	MARION	6,020,148
BROWN	164,515	MEDINA	14,782,159
BUTLER	36,373,220	MEIGS	120,289
CARROLL	332,929	MERCER	1,524,525
CHAMPAIGN	3,850,579	MIAMI	13,273,351
CLARK	7,974,060	MONROE	2,599,416
CLERMONT	8,630,098	MONTGOMERY	63,416,902
CLINTON	4,030,146	MORGAN	272,391
COLUMBIANA	4,452,137	MORROW	688,949
COSHOCTON	2,441,612	MUSKINGUM	5,800,351
CRAWFORD	5,972,933	NOBLE	338,344
CUYAHOGA	150,926,712	OTTAWA	2,596,781
DARKE	2,335,138	PAULDING	630,652
DEFIANCE	3,876,097	PERRY	700,339
DELAWARE	7,868,574	PICKAWAY	3,638,343
ERIE	14,983,488	PIKE	4,897,619
FAIRFIELD	4,810,512	PORTAGE	15,334,317
FAYETTE	1,890,713	PREBLE	2,624,375
FRANKLIN	139,313,066	PUTNAM	2,172,923
FULTON	6,886,366	RICHLAND	17,324,964
GALLIA	868,738	ROSS	7,623,366
GEAUGA	10,025,871	SANDUSKY	6,927,549
GREENE	6,525,250	SCIOTO	2,497,576
GUERNSEY	3,310,757	SENECA	5,836,740
HAMILTON	114,202,531	SHELBY	12,783,163
HANCOCK	12,182,282	STARK	39,445,085
HARDIN	1,681,911	SUMMIT	61,402,066
HARRISON	652,376	TRUMBULL	24,159,309
HENRY	5,189,415	TUSCARAWAS	9,043,945
HIGHLAND	784,886	UNION	16,983,008
HOCKING	604,557	VAN WERT	1,858,789
HOLMES	2,282,874	VINTON	263,026
HURON	5,813,663	WARREN	25,196,104
JACKSON	1,238,499	WASHINGTON	9,195,597
JEFFERSON	4,500,258	WAYNE	14,834,433
KNOX	3,938,834	WILLIAMS	5,867,794
LAKE	28,355,647	WOOD	17,526,907
LAWRENCE	361,506	WYANDOT	2,382,435
		TOTAL	**$1,189,932,623**

1 Consists of payments made to school districts and local governments. School district payments reflect both "direct" replacement payments and "indirect" replacements made to schools through a reduction in the school foundation charge-off. Figures reflect payments made in November 2011 and May 2012.

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 3¾ 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 or a qualified lessee 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 or qualified lessee'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 $40 million for fiscal biennium geginning on or after July 1, 2011. Corporations may claim this credit against the corporation franchise tax even if they are no longer subject to the franchise tax.

Taxes: Corporation franchise or individual income.

New markets tax credit (R.C. 5725.33, 5733.58)

This credit, created in 2009 by H.B. 1, is a nonrefundable tax credit with a four-year carry forward for financial institutions and insurance companies that invest in "Community Development Entities," as defined by the federal New Markets Tax Credit program. To qualify, a taxpayer must first qualify for the federal credit program by holding an equity investment in a qualified Community Development Entity. The Ohio Department of Development may annually issue a maximum of $10 million worth of credits.

Taxes: Corporation franchise or insurance taxes.

Research expense credit (R.C. 5733.351, 5751.51)

This nonrefundable credit equals 7 percent of the amount by which the taxpayer's "qualified research expenses" (as defined in Internal Revenue Code section 41) in Ohio during the taxable year exceed the taxpayer's average annual qualified research expenses in Ohio for the three preceding years.

Taxes: Commercial activity (starting in 2008) or corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year).

Research and development loan payments credit (R.C. 5733.352, 5751.52)

The amount of this nonrefundable credit equals the borrower's qualified research and development loan payments during the calendar year that immediately precedes the report year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development.

Taxes: Commercial activity (starting in 2008), corporation franchise (limited to franchise taxpayers only, starting with the 2008 taxable year), or individual income (before the 2008 taxable year).

Technology investment credit (R.C. 122.15–122.154, 5733.35, 5747.33)

Investors that provide capital to certain qualifying small, Ohio-based research and development or technology transfer companies may be eligible for a nonrefundable credit equal to 25 percent of the taxpayer's at-risk investment. The credit must be approved by the state Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to all taxpayers cannot exceed $45 million.

Taxes: Corporation franchise and individual income.

Unused net operating losses credit (R.C. 5751.53)

Beginning in calendar year 2010, qualifying taxpayers may claim a nonrefundable tax credit equal to 8 percent of the taxpayer's franchise tax net operating loss carry forwards and other deferred tax items against the commercial activity tax. This credit is limited to taxpayers that elected to claim the credit by filing with the Tax Commissioner before July 1, 2006.

Tax: Commercial activity.

Venture capital credit (5707.031, 5725.19, 5727.241, 5729.08, 5733.49, 5747.80)

The Ohio Venture Capital Authority has the authority to issue refundable tax credits to its creditors. The credits are redeemable in the event of losses on loans to the authority.

Taxes: Corporation franchise, dealers in intangibles, individual income, insurance taxes and public utility excise tax.

Recent Legislation

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

H.B. 1 included the following changes:

Job creation credit – The act amended R.C 122.17 to change the formula for computing this credit. For agreements entered into on or after the Oct. 16, 2009 effective date of the amendment, the credit is computed as a percentage of the growth in income tax withholding at the project site over the baseline withholding for that year. Specifically:

- The credit is to be computed as a percentage (as identified in the agreement between the taxpayer and the tax credit authority) of the amount by which income tax withheld from employees at the project site during the taxable year exceeds the taxpayer's baseline withholding at the project site for that taxable year.
- Withholding includes the sum of Ohio income tax withheld from all employees at the project site during the taxable year regardless of whether the employee is a "new" employee and regardless of whether the employee is a full-time employee.

Job retention credit – The act amended R.C. 122.171 to revise the calculation of this credit. For job retention credit agreements entered into on or after the new law's Oct. 16, 2009 effective date, the credit is computed as a percentage of the sum of Ohio income tax withheld from all employees at the project site whose hours of compensation are included in calculating the number of "full-time equivalent employees" regardless of whether the employee is full-time or part-time. Under prior law the credit was computed only with respect to Ohio income tax withheld from full-time employees at the project site.

In addition, H.B. 1:

- Allows insurance companies to claim the credit against the premiums tax.
- Limits the aggregate value of job retention credits that the authority can issue during any calendar year.
- Reduced the minimum employee and minimum investment thresholds and other requirements for project eligibility.

Historic building preservation credit – The act amended R.C. 5733.47 and 5747.76 to specifically provide that if a pass-through entity is awarded a historic preservation tax credit certificate by the Ohio Department of Development for that entity's "qualified rehabilitation expenditures," the entity can allocate the credit among its equity owners in proportion to their ownership interests or in such proportions or amounts as the equity owners mutually agree. The new law applies to credits claimed based on certificates issued in taxable years ending on or after Oct. 16, 2009 (see section 803.20 of the bill).

Motion picture production credit – The act created the motion picture production credit by creating R. C. 122.85, 5733.59 and 5747.66 and enacting sections 701.90 and 812.20 of the bill.

Technology investment tax credit – The act amended R.C. 122.151 to increase the aggregate value of technology investment credits that may be issued from $30 million to $45 million.

New markets tax credit – The act created the new markets tax credit by enacting R.C. 5725.33 and 5733.58. This new credit is similar to the federal new markets credit. However, the Ohio new markets credit is available only to financial institutions and insurance companies.

Senate Bill 131, 128th General Assembly, effective May 31, 2010

Alternative fuel credit – The bill amended R.C. 5747.77 to permit, against the individual income tax, a nonrefundable credit of 15 cents per gallon for most alternative fuels sold during the 2010 and 2011 taxable years. Previously, the credit was scheduled to expire after the 2009 taxable year. The bill also expanded the definition of "blended biodiesel" to include fuels with as little as 6 percent biodiesel. Previously "blended biodiesel" needed to contain at least 20 percent biodiesel. The bill also made credits of lesser value available for biodiesel blends of between 6 percent and 20 percent.

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.

Invest Ohio Tax Credit

This bill adds a new tax credit for small businesses, to encourage investment in Ohio. The new program added R. C. 122.86 to create the Small Business Investment Certificate and Tax Credit Program, also known as Invest Ohio. Invest Ohio provides a nonrefundable personal income tax credit to investors that infuse new equity into eligible small businesses. Up to $100 million dollars in tax credits may be awarded under this program for the biennium which ends on June 13, 2013.

Amended Sub. House Bill 508, 129th General Assembly, September 6, 2012.

This bill expanded motion picture production tax credit from $20 million per fiscal biennium to $40 million per fiscal biennium.

Amended Sub. Senate Bill 314, 129th General Assembly, effective September 28, 2012.

This bill extends eligibility for the historic preservation tax credit to certain qualified lessees. Regarding the job creation tax credit, the bill permits employers to use an earlier payroll period as the base from which the increase in payroll period as the base fro which the increase in payroll withholding is measured. The bill makes modifications to the Small Business Investment Certificate Program and tax credit.

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 permitted, for federal income tax purposes, for charitable gifts or certain types of interest payments.

Exemption – In income taxation, an exemption is an amount excluded from taxable income. For example, the Ohio individual income tax includes a personal exemption for any taxpayer who cannot be claimed as a dependent by another taxpayer.

Gross receipts – For purposes of the commercial activity tax and the resort area gross receipts tax, gross receipts refers to the total amount realized – without deduction for the cost of goods sold or other expenses incurred – from activities that contribute to the production of gross income, such as sales, performance of services, and rentals or leases. The public utility excise tax is also measured by gross receipts for business done from operations as a public utility.

Liability – Liability refers to the amount of a specific tax that a taxpayer owes; this amount can be reduced by credits.

Lien – A lien is a claim on a piece of property. For example, when a financial institution loans money for purchase of a home, that mortgage loan is a lien. Taxing authorities can establish, or place, a lien on the property of a delinquent taxpayer. If the mortgage or loan or tax owed is not paid, the property can be sold to satisfy the lien.

Mcf – This term is an abbreviation for 1,000 cubic feet, a common unit used to measure natural gas. Ohio's natural gas distribution tax is sometimes informally referred to as the "Mcf tax."

Mill – A mill can be thought of as a measurement equal to one-tenth of 1 percent. This term is often used to express the rate of taxation imposed on real or personal property. For example, a 2.5 mill tax levy imposed on a home with an **assessed value** of $100,000 amounts to $250 in tax.

Net income – This term refers to the total earnings or "bottom line" of a business. It is generally calculated by deducting from total sales the costs of doing business, such as depreciation, interest, taxes and certain other expenditures.

Net worth – Net worth refers to the value of a business when its liabilities (including debt, taxes and certain other obligations) are subtracted from the value of its assets.

Nexus – This term is used to describe whether a business has sufficient presence or activity in a state or other taxing jurisdiction to become subject to the tax(es) of the state or jurisdiction.

Nonrefundable (tax credit) – A nonrefundable tax **credit** is a credit against a specific tax that may only be claimed to the extent that that taxpayer has otherwise incurred tax **liability**. When such a credit would reduce liability to less than zero, the taxpayer is not eligible for a refund beyond the point at which liability is extinguished. In Ohio, most tax credits are nonrefundable.

Permissive tax – This term refers to a tax that a local political jurisdiction is "permitted" by law to enact. This term is frequently used to distinguish the local "piggyback" sales and use taxes enacted at the discretion of county governments or regional transit authorities from the state sales tax.

Refundable (tax credit) – A refundable tax **credit** is a credit against a specific tax that entitles the taxpayer to a refund, even in the absence of tax **liability**. This means that when a value of a credit fully eliminates tax liability, the state of Ohio is still obligated to issue a payment to the taxpayer for the value of the credit that remains after liability has been extinguished.

Situs – This term refers to the place where property is physically located, or where a taxable transaction occurs.

Sourcing – In sales taxation, this term refers to the physical location where a sale occurs or where a sale is designated as having occurred. "Origin sourcing" refers to sourcing sales at the physical location of the retailer. When sales are sourced based on where the customer takes possession of a product or service – such as through a delivery – this is referred to as "destination sourcing."

Streamlined Sales Tax Project – This is a multi-state initiative to make sales tax laws, rules, and systems more uniform across states and thus easier for vendors to collect states' sales taxes. The goal of the project is to encourage out-of-state vendors – primarily catalog and Internet retailers – to register with the project and collect the sales tax of participating states.

Taxing district – A taxing district is a jurisdiction that by law can impose a **tax levy** for property, sales, or municipal or school district income taxes in a specified geographic area. These jurisdictions may overlap. They include counties, transit authorities, municipalities, special districts such as fire or park districts, and school districts.

Tax levy – A tax levy is an act that imposes or alters a tax. A levy may be enacted at either the state level (such as on income or sales), or at the local level, such as on income, sales, or property. Local tax levies frequently require a vote of the people, are normally for a specific purpose, and are usually for a permanent or specified time period.

Tax year – A tax year is an annual accounting period for tax purposes that consists of 12 consecutive months. This may be either a fiscal year (meaning, 12 consecutive months ending on the last day of any month except December) or a calendar year (beginning Jan. 1 and ending Dec. 31). Businesses normally file taxes on a fiscal tax year basis, which may be any consecutive 12-month period. The tax year for property taxes, as well as individual income taxes for most taxpayers, is the calendar year.

Rule Review

Section 121.24(D) of the Ohio Revised Code requires the Department of Taxation to create a plan for periodic review of its administrative rules at least once every five years. The department's rule review schedule is as follows:

Calendar Year	**Rules**
2009	Franchise, income, and municipal taxes
2010	Estate tax and commercial activity tax
2011	Sales and use tax
2012	Tangible personal property tax
2013	Administration, equalization and excise taxes
2014	Franchise, income and municipal taxes

Section 121.24(E) of the Ohio Revised Code requires the Department of Taxation to designate an individual or office that is responsible for providing information on its administrative rules. The Office of Chief Counsel is the department's designated office. Rules are reviewed to determine if they are still necessary, are to be amended, or are to be rescinded in Ohio Administrative Code Chapter 5703.

The scheduled review of tangible personal property tax rules in 2012 was not conducted because the tax has been phased out.

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.