2005
BRIEF SUMMARY

Bob Taft
Governor

William W. Wilkins
Tax Commissioner

Greetings from the Tax Commissioner

The Ohio Department of Taxation (ODT) is pleased to provide you with the 2005 edition of **Ohio's Taxes – A Brief Summary of Major State and Local Taxes in Ohio**.

This publication is a valuable and handy reference that offers a quick look at the key information regarding state and local taxes in Ohio. It provides the rates, revenues, rules, distributions, and other important provisions of all the principal taxes in Ohio.

Fiscal Year 2005 saw fundamental changes to the tax structure in Ohio, particularly as it regards business taxes. House Bill 66, the biennium budget bill for fiscal years 2006-2007, enacted comprehensive tax reform by lowering income and sales taxes, phasing out two business taxes, and creating the new commercial activity tax (CAT). More information on these changes can be found in **Ohio's Taxes – Introduction** and in the respective tax chapters.

Ohio continued its participation in the Streamlined Sales Tax Project (SSTP) during 2005. The state is now an associate member of the system, but pending changes in the sourcing of delivery sales, will assume full membership in early 2008. The SSTP is a multi-state initiative to make sales tax laws, rules, and systems more uniform across states. Thus, in making it easier for retail vendors to voluntarily collect state sales taxes, Ohio and other member states will recoup what is currently hundreds of millions in lost revenue each year.

This edition of **Ohio's Taxes** also contains a brief explanation of the state's taxing districts. The section **Tax Brief-Ohio Taxing Districts** outlines the political subdivisions of the state and the taxing powers of each.

Tax laws will always change, but not ODT's commitment to delivering quality customer service. This remains one of our guiding principles. Our staff is dedicated to helping those taxpayers who are trying to do the right thing, but also remains committed to ensuring that all taxpayers comply with the tax laws and pay their fair share.

Our mission is to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law. Our motto is our commitment to CARE about the quality of service by performing it in a Courteous, Accurate, Responsive, and Equitable manner. I pledge that this department will treat all taxpayers fairly while administering the tax system that raises the revenues necessary to provide the services needed by all Ohioans.

We hope you find this publication serves your needs for information about our tax system at both the state and local levels. We will always do our best to serve the citizens of Ohio.

Sincerely,

William W. Wilkins
Tax Commissioner

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Ohio's Taxes-Introduction

Ohio's Taxes, A Brief Summary of Major State and Local Taxes in Ohio, provides a concise but comprehensive description of each state and local tax, including for each the:

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The 12 states selected for comparison are either neighboring states to Ohio or are considered to be large, economically important states.

Ohio Tax Reform

Fiscal Year 2005 saw the most sweeping reform of Ohio's tax code in over 30 years. The changes were enacted in House Bill 66, the biennium budget bill for fiscal years 2006-2007. The law took effect July 1, 2005, the beginning of Fiscal Year 2006.

The major tax components of H.B. 66 provided for tax relief and a significant restructuring of the business tax code. These reforms were designed to improve the climate for business investment and job creation in Ohio. The existing state income and sales tax rates were cut, while other tax provisions were modernized. On the business tax side, the bill phases out two major taxes — **corporation franchise** and **tangible personal property** — and phases in the new **commercial activity tax (CAT)**.

The new **CAT** is a tax on the privilege of doing business in Ohio, structured with a broad base and a low rate. The tax is applied against taxable gross receipts received in an annual or calendar quarter time period. The CAT is being phased-in over five years beginning July 1, 2005. It is imposed on taxable gross receipts in excess of $150,000 accrued in a calendar year.

The CAT rate depends on the amount of gross receipts:

- Businesses with annual gross receipts of $150,000 or less are not subject to the CAT.
- Annual gross receipts from $150,001 - $1.0 million are subject to a minimum $150 tax.
- Those with annual gross receipts over $1.0 million are subject to the full rate of the CAT. When the tax is fully phased in by tax year 2010, the rate will be 0.26%.

As the CAT is being phased-in, it is replacing two existing taxes on business:

- The **corporation franchise tax** is phased-out in equal increments over five years beginning in tax year 2006, when the rate will be 80% times the liability. The last year of payment of the tax, at a rate of 20% times the liability, will be 2009.
- The **tangible personal property (TPP) tax** on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures is phased-out over four years at about 25% of the rate annually beginning in tax year 2006, when the total rate will be 18.75%. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to TPP tax. The last year of payment of the tax, at a total rate of 6.25%, will be 2008.

Tax reforms in H.B. 66 also included individual taxpayer and consumer relief:

- The **individual income tax** rate was cut for all tax brackets in increments of 4.2% for tax year 2005 (from 2004 rates) and an additional 4.2% each year through 2009 for a total cut of 21%. Annual incomes of $10,000 or less are exempt from tax.
- The state **sales tax** rate was cut from 6.0 to 5.5 %. Vendors can still receive a 0.9% discount, however, for timely filed and paid sales tax returns.

Other provisions of H.B. 66 increased business real property taxes and the cigarette tax, while providing partial relief to estate taxpayers:

- The **10% property tax rollback** on most commercial and industrial real property was eliminated. The rollback remains in effect for residential and agricultural real property.

- A **cigarette excise tax** increase of $.70 was enacted, bringing the total tax to $1.25 per pack of 20 cigarettes. Cigarette wholesalers and retailers must pay the additional 70 cents per pack on cigarettes that were previously taxed but still in inventory at the end of business on June 30, 2005.
- Ohio's **additional estate tax (sponge tax)** was eliminated. The Ohio basic estate tax remains in effect.

A description of the impact of H.B. 66 on each of the current business and other taxes is contained in the appropriate chapters of this publication.

Streamlined Sales Tax Progress

Ohio's participation in the Streamlined Sales Tax Project (SSTP) continued in 2005. Ohio was approved as an Associate Member State on July 1, 2005, effective as of October 1, 2005, and will become a full member once certain sourcing provisions are completely phased-in. The SSTP is a multi-state initiative to capture sales tax lost to out-of-state and Internet vendors that are exempt under federal law from collecting state sales tax. Ohio loses an estimated $500 million each year in sales tax revenue.

Significant changes to specific Ohio taxes in 2005 are highlighted in the appropriate chapters.

The Ohio Department of Taxation welcomes comments regarding our publications. Please address comments and questions about this booklet to:

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You can also access the ODT Web site at: **tax.ohio.gov** for more information.

Tax Brief-Ohio Taxing Districts

Ohio's system of taxation provides the state and local units of government with varying degrees of authority to impose taxes. Some taxes can be imposed and collected only by the state, although revenue may be shared with local political subdivisions. Other taxes are imposed and collected at the local level, where the revenue remains. A brief explanation of terms regarding taxing authority, taxing districts, the levels of political subdivisions and the taxing powers of each is provided to help clarify Ohio's system of taxation. This section does not address the imposition of fees or licenses by state or local government.

Tax levy – a piece of legislation that imposes or alters a tax.

Taxing district – a jurisdiction that by law can impose a tax levy for property, sales, or municipal or school district income taxes within a specified geographic area. This area can encompass all or parts of contiguous political subdivisions. Taxing districts may overlap.

Political subdivision/taxing authority – a political subdivision is an entity created by the state to be an administrative unit of government. In Ohio, these entities, and the taxes they are authorized to impose, are:

Political Subdivision	***Taxing Authority***
• **County**	*Sales tax* either for general revenue or a specific purpose; both can be levied with or without a vote of the people but are subject to voter referendum (these taxes are normally referred to as "permissive taxes"). Counties also collect a share of *property taxes* and can impose additional property tax, subject to voter approval, for public safety and road maintenance purposes, or for certain specific purposes, such as historic preservation or for a zoo or cultural facility. In addition, counties and certain large municipalities can levy, without voter approval, *sales-type taxes on the cost of*

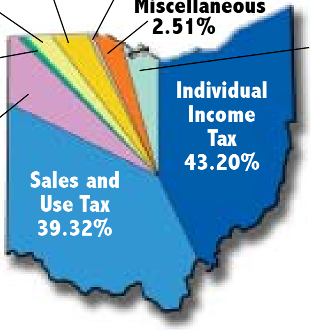
Political Subdivision	***Taxing Authority***
	admissions, for general revenue, or *on lodging*, for either general revenue or the specific purposes of construction and operation of convention or sports facilities. Counties can also levy, with or without voter approval but subject to referendum, *permissive sales-type taxes on alcoholic beverages and cigarettes* for sports facility funding purposes; Cuyahoga County is the only county currently doing so.
· Municipality **- city (5,000 or more inhabitants)** **- village (less than 5,000 inhabitants)**	*Income taxes* up to 1.0%; any level above that must be approved by voters; also *property taxes*, subject to voter approval, for police or fire; and *sales-type taxes on lodging or admissions*, neither of which requires voter approval, for general revenue or in certain municipalities, to fund a convention facility.
· Township	*Property taxes* subject to voter approval, for police and fire protection or road maintenance; also a *sales-type tax on lodging*, which does not require voter approval, for general revenue.
· School District	*Property taxes* subject to voter approval, for operations or a specific purpose, such as school construction; *income tax*, also subject to voter approval.

Tax Brief-Ohio Taxing Districts

Political Subdivision	*Taxing Authority*
• **Park District**	*Property taxes* subject to voter approval, for operations or a specific purpose.
• **Special District, e.g., for:** - **special needs education,** - **other educational services,** - **libraries,** - **mental health,** - **children's services** - **senior care services**	*Property taxes* subject to voter approval, for operations or a specific purpose.
• **Fire District**	*Property taxes* subject to voter approval, for operations or a specific purpose.
• **Water or Sewer District**	*Property taxes* subject to voter approval, for operations or a specific purpose, such as facility or service line construction.
• **Transit Authority**	*Sales tax*, subject to voter approval, for operations or a specific purpose.

All local tax levies (sales or property) are generally either permanent or for a specified time period.

General Revenue Fund Sources



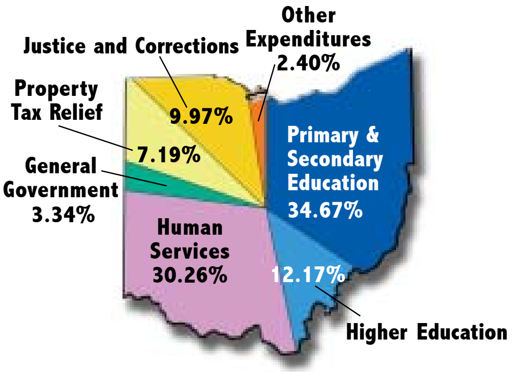
FISCAL YEAR 2005 (EXCLUDING FEDERAL AID)

REVENUE SOURCE	FY 2005 COLLECTIONS	
Individual Income Tax	$8,598,864,829	43.20%
Sales and Use Tax	7,827,129,694	39.33%
Corporation Franchise Tax	1,051,619,507	5.28%
Public Utility Excise Tax	104,102,482	0.52%
Kilowatt-Hour Excise Tax	339,817,109	1.71%
Cigarette Tax	577,671,420	2.90%
Alcoholic Beverage Taxes (including liquor gallonage)	88,993,942	0.45%
Total	$18,588,198,983	
Miscellaneous:		
Domestic Insurance Tax	$171,363,832	
Estate Tax	60,381,210	
Foreign Insurance Tax	242,856,184	
Intangible Property Tax	25,195,680	
Total	$499,796,906	2.51%
Non-Tax Revenue:		
Earnings on Investment	$34,985,697	
Liquor Profits	115,000,000	
Miscellaneous*	665,804,599	
Total	$815,790,295	4.10%
GRAND TOTAL	$19,903,786,184	100.00%

Note: All amounts are after refunds.

* Includes certain transfers into the General Revenue Fund, licenses and fees, and other income.

General Revenue Fund Expenditures



FISCAL YEAR 2005 (EXCLUDING FEDERAL AID)

CATEGORY	FY 2005 EXPENDITURES	
Primary & Secondary Education	**$6,651,144,099**	**34.67%**
Higher Education	**$2,333,744,598**	**12.17%**
Human Services:		
Public Assistance	4,623,298,312	
Mental Health & Retardation	892,447,491	
Miscellaneous	289,382,629	
Total Human Services	**$5,805,128,433**	**30.26%**
General Government:		
Transportation	31,142,610	
Environment & Natural Resources	116,738,347	
Economic Development	155,174,502	
Miscellaneous	338,213,017	
Total General Government	**$641,268,477**	**3.34%**
Property Tax Relief	**$1,379,052,464**	**7.19%**
Justice and Corrections	**$1,912,743,255**	**9.97%**
Other Expenditures	**$459,791,993**	**2.40%**
GRAND TOTAL	**$19,182,873,318**	**100.00%**

Tax Burden Comparisons Among the States

The U.S. Census Bureau collects data on tax burdens in each of the states. Data for Fiscal Year 2002 is the most recent available. The tax burden comparisons show the combined state and local aggregate taxes both on a per capita basis and as a percentage of income. States selected for comparison are either neighboring states to Ohio or are considered to be large, economically important states.

For state and local taxes on a per capita basis among all 50 states and the District of Columbia, Ohio ranked 19th. As a percentage of personal income among all 50 states and the District of Columbia, Ohio ranked 13th. The table below shows the national ranking for each of the 12 comparison states commonly used in this publication, as well as the lowest and highest tax burden states of all 50 states and the District of Columbia.

Tax Burdens: 12 Selected Comparison States*(1)*

State	Total State and Local Taxes Per Capita*(2)*	Rank*(3)*	Total Taxes as a Percentage of Income*(2)*	Rank*(3)*
California	$3,440	10	10.7%	16
Florida	2,686	35	9.4	45
Illinois	3,303	15	10.1	34
Indiana	2,759	30	10.0	36
Kentucky	2,636	38	10.6	17
Massachusetts	3,721	5	9.6	42
Michigan	3,051	23	10.3	29
New Jersey	4,038	4	10.6	18
New York	4,645	2	13.0	2
Ohio	**3,170**	**19**	**11.0**	**13**
Pennsylvania	3,052	22	10.0	38
Texas	2,713	34	9.7	40
West Virginia	2,571	41	11.3	9

Notes: *(1)Data from the U.S. Census Bureau and the Bureau of Economic Analysis. (2)"Total State and Local Taxes" does not include revenue from charges, user fees, or special assessments. (3)Comparison rankings shown are based on a tax burden analysis of all 50 states and the District of Columbia.*

Tax Burden Comparisons Among the States*(1)*

Highest and Lowest State and Local Tax Burdens*(3)*

State	Total State and Local Taxes Per Capita*(2)*	Rank*(3)*	Total Taxes as a Percentage of Income*(2)*	Rank*(3)*
District of Columbia	$5,636	1	—	—
Alabama	2,170	51	—	—
Maine	—	—	13.2%	1
New Hampshire	—	—	8.4	51

Notes: *(1)Data from the U.S. Census Bureau and the Bureau of Economic Analysis. (2)"Total State and Local Taxes" does not include revenue from charges, user fees, or special assessments. (3)Comparison rankings shown are based on a tax burden analysis of all 50 states and the District of Columbia.*

State Taxes

Alcoholic Beverage Taxes

Taxpayer
- Manufacturers, importers, wholesale distributors (beer, wine, and mixed beverages).
- Ohio Department of Commerce, Division of Liquor Control (liquor).

Tax Base
Beer, wine, mixed beverages, and liquor.

Rates

Beer	
Barrel (31 gallons)	$5.58 per barrel
Containers (over 12 ounces) per six ounces	0.84 cent(s)
Containers (12 ounces or less) per ounce	0.14 cent(s)
Wine	
Less than 14% alcohol by volume	32 cents per gallon
14% to 21% alcohol by volume	$1.00 per gallon
Apple cider (alcohol content over 0.5% by volume)	24 cents per gallon
Vermouth	$1.10 per gallon
Sparkling wine, champagne	$1.50 per gallon
Mixed beverages	$1.20 per gallon
Liquor	$3.38 per gallon

Major Exemptions
- Sacramental wine.
- Sales to the federal government.
- Sales in interstate commerce.
- Small breweries and wineries.

Alcoholic Beverage Taxes

Revenue (In Millions)

Fiscal Year	Beer	Wine & Mixed Beverages	Liquor	Total
2001	$46.9	$8.8	$29.0	$84.7
2002	47.6	8.9	29.3	85.8
2003	48.3	9.0	29.7	87.0
2004	48.1	9.1	30.9	88.1
2005	48.1	9.5	32.2	89.8

Disposition of Revenue

- Ohio Grape Industries Fund (see Ohio Revised Code section 4301.432: five cents per gallon of wine, two cents of which is a temporary levy).
- Remainder to the General Revenue Fund.

Payment Dates

Beer	Advance payment by 18th of current month; balance due 10th of following month.
Wine and mixed beverages	18th of each month for previous month.
Liquor gallonage	Weekly on or before Monday.

Special Provisions/Credits

Beer taxpayers can receive a 3.0% discount on the amount of their estimated advance payment when filing and paying their return. Estimated advance payments must be made by the 18th of the month, and returns are due by the 10th of the following month.

Wine and mixed beverages taxpayers can receive a 3.0% discount for timely filing of their return and payment of the tax if payment is received by the 18th of the month.

Any licensed Ohio brewer whose total production is less than 31 million gallons in a calendar year will receive in the following year a credit for the full amount of excise tax up to 9.3 million gallons of beer distributed in Ohio, and a refund of any excise tax paid.

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

Counties and convention facilities authorities may levy taxes of up to 16 cents per gallon on beer, 32 cents per gallon on wine and mixed beverages, 24 cents per gallon on apple cider, and $3.0 per gallon on spirituous liquor. This revenue is to be used for the construction of a sports facility. Cuyahoga County adopted this tax effective August 1, 1990 (see **Alcoholic Beverage Taxes – County** section).

Sections of Ohio Revised Code
Chapters 131, 4301, 4303, 4305, and 4307.

Responsibility for Administration
- Tax Commissioner (beer, wine and mixed beverages).
- Ohio Department of Commerce, Division of Liquor Control (liquor).

History of Major Changes

1933
- Beer and malt beverages taxed at $1.00 per barrel.
- Wine taxed at 10% of retail price.

1934
- Liquor taxed at $1.00 per gallon.
- Rate on bottled beer and malt beverages set at 0.75 cent(s) per six ounces.

1935
- Mixed beverages taxed at 10% of retail price.
- Malt beverage tax increased to $2.50 per barrel.

1939
- Mixed beverages taxed at 40 cents per gallon.
- Wine tax revised as follows:

Wine (less than14% alcohol)	12 cents per gallon.
Wine (14% to 21% alcohol)	30 cents per gallon.
Vermouth	60 cents per gallon.
Sparkling wine and champagne	$1.00 per gallon.

1959
- Sales of wine and mixed beverages subjected to sales tax.
- Beer tax increased to $2.50 per barrel.

Alcoholic Beverage Taxes

1967 • Beer and malt beverages subjected to sales tax.

1969 • Liquor gallonage tax increased to $2.25 per gallon.
• Mixed beverage tax increased to 80 cents per gallon.
• Wine tax revised as follows:

Wine (less than 14% alcohol)	24 cents per gallon.
Wine (14% to 21% alcohol)	60 cents per gallon.
Vermouth	75 cents per gallon.
Sparkling wine and champagne	$1.25 per gallon.

1981 • Temporary tax increases on beer, malt beverages, wine, and mixed beverages during the period January - June 1981.

1982 • Credit against taxes enacted for Ohio brewers and wine producers.
• Wine tax increased two cents per gallon.
• Three cents per gallon of tax on wine earmarked for Ohio grape industries.
• Distinction between “beer” and “malt” beverages repealed.
• Tax on beer in containers of 12 ounces or less changed to 0.125 cent(s) per ounce.

1989 • Barreled beer rate increased to $3.50 per barrel.

1992 • Alcoholic beverage and liquor gallonage rates increased, as follows:
- Beer to 0.14 cent(s) per ounce for bottled and $5.58 per barrel.
- Wine (less than 14% alcohol) to 32 cents per gallon.
- Wine (between 14% and 21% alcohol) to $1.00 per gallon.
- Sparkling wine to $1.50 per gallon.
- Vermouth to $1.10 per gallon.
- Mixed beverages to $1.20 per gallon.

1995 • An additional two cents of the excise tax on wine allocated to the Ohio grape industry special account until July 1, 1999.

Alcoholic Beverage Taxes

- Tax on apple cider reduced to 24 cents per gallon.

1997 • Department of Liquor Control was renamed Division of Liquor Control and transferred to the Department of Commerce.

1999 • Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2001.

2001 • Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2003.

2003 • Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2005.

2005 • Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2007.

Comparisons with Other States (As of 04/06)*(1)(2)*
Notes: *(1)Percentages refer to alcohol content, which is measured by volume. (2)Beer excludes malt beverages.*

California

Beer	20 cents per gallon
Still wines	20 cents per gallon
Sparkling hard cider	20 cents per gallon
Champagne, sparkling wine	30 cents per gallon
Distilled spirits (100 proof or less)	$3.30 per gallon
Distilled spirits (over 100 proof)	6.60 per gallon

Florida

Malt beverages	48 cents per gallon
Ciders	89 cents per gallon
Beverages and wine (0.5% to less than 17.259%)	$2.25 per gallon
Beverages, other than wine (17.259% to 55.78%)	6.50 per gallon
Beverages (over 55.78%)	9.53 per gallon
Wine (17.259% or more)	3.00 per gallon

Alcoholic Beverage Taxes

Comparisons with Other States (As of 04/06)*(1)(2)*

Notes: *(1)Percentages refer to alcohol content, which is measured by volume. (2)Beer excludes malt beverages.*

Natural sparkling wine	3.50 per gallon

Illinois

Beer and cider (between 0.5% to 7.0%)	18.5 cents per gallon
Alcohol and spirits, including wine (less than 20%)	73 cents per gallon
Alcohol and spirits (20% or more)	$4.50 per gallon

Indiana

Beer and hard cider	11.5 cents per gallon
Mixed beverages (15% or less)	47 cents per gallon
Wine (less than 21%)	47 cents per gallon
Liquor and wine (21% or more)	$2.68 per gallon

Kentucky

Beer	$2.50 per barrel
Wine	50 cents per gallon
Spirits	1.92 per gallon

Massachusetts

Beer	$3.30 per 31-gallon barrel
Cider (3.0% to 6.0%)	3.0 cents per wine gallon
Still wine, including vermouth	55 cents per wine gallon
Sparkling wine and champagne	70 cents per wine gallon
Other alcoholic beverages:	
(15% or less)	1.10 per wine gallon
(over 15% to 50%)	4.05 per wine gallon
(over 50%)	4.05 per proof gallon

Alcoholic Beverage Taxes

Comparisons with Other States (As of 04/06)*(1)(2)*
Notes: *(1)Percentages refer to alcohol content, which is measured by volume. (2)Beer excludes malt beverages.*

Michigan	
Beer	$6.30 per 31-gallon barrel
Wine (16% or less)	13.5 cents per liter
Wine (over 16%)	20 cents per liter
Liquor (21% or more)	
On premises	8.0% of retail price + 4.0% surtax
Off premises	9.85% of retail price + 4.0% surtax
Mixed drinks	48 cents per liter
New Jersey	
Beer	12 cents per gallon
Apple cider (3.2% to 7.0%)	12 cents per gallon
(7.0% or more)	70 cents per gallon
Wines, vermouth, sparkling wines	70 cents per gallon
Liquor	$4.40 per gallon
New York	
Beer	11 cents per gallon
Wine (still and sparkling)	18.93 cents per gallon
Cider	3.79 cents per gallon
Liquor (less than 2%)	1.0 cent per liter
(2% to 24%)	67 cents per liter
(more than 24%)	$1.70 per liter
Pennsylvania	
Beer	$2.48 per barrel
Wine (all wine sales are through state stores; revenue is generated from various taxes, fees, and net profits)	
Liquor	18% of price (including all applicable federal excise taxes and allowed mark-ups)

Alcoholic Beverage Taxes

Comparisons with Other States (As of 04/06)*(1)(2)*
Notes: *(1)Percentages refer to alcohol content, which is measured by volume. (2)Beer excludes malt beverages.*

Texas	
Beer	$6.00 per barrel
Still wine (14% or less)	20.4 cents per gallon
Still wine (over 14%)	40.8 cents per gallon
Sparkling wine	51.6 cents per gallon
Malt liquor (over 4.0%)	19.8 cents per gallon
Distilled spirits	2.40 per gallon
Mixed beverages	14% of gross receipts
West Virginia	
Beer	$5.50 per barrel
Wine	26.406 cents per liter
Liquor	5.0% of purchase price

Cigarette and Other Tobacco Products Tax

Taxpayer

Cigarette tax: cigarette dealers (primarily wholesalers), who must be licensed, pay the tax by purchasing tax indicia (stamps or impressions). The indicia must be affixed to all packs of cigarettes before sale at retail.

Other tobacco products: manufacturers that sell to retail dealers, wholesale dealers, and retail dealers that receive untaxed products.

Tax Base

- Cigarettes.
- Other tobacco products including cigars, chewing tobacco, snuff, and smoking tobacco.

Rates

- Cigarettes: 2.75 cents per cigarette (55 cents per pack of 20 cigarettes).
  Rates increased to 6.25 cents per cigarette ($1.25 per pack of 20 cigarettes) effective July 1, 2005.
- Other tobacco products: 17% of wholesale price.

Major Exemptions

None.

Revenue (In Millions)

Fiscal Year	Total
2001	$282.5
2002	281.3
2003	599.9*
2004	557.5
2005	577.7

Note: **Includes floor tax of $35.3 million.*

Disposition of Revenue

General Revenue Fund.

Cigarette and Other Tobacco Products Tax

Payment Dates

Cigarette dealers file returns on January 31 and July 31. However, most tax payments are remitted as advanced purchases of indicia.

Other tobacco products dealers file returns by the end of the month for the previous month's liability or by April 30, July 31, October 31, and January 31 for the previous quarter's liability.

Special Provisions/Credits

The Tax Commissioner is required to allow cigarette dealers a minimum discount of 1.8% of face value of the purchase of tax stamps or impressions as a commission for affixing and cancelling them. The current applicable discount rate is 1.8%.

For other tobacco products dealers, a 2.5% discount is given for timely payment. Counties may levy taxes of up to 0.225 cent(s) per cigarette (4.5 cents per pack of 20 cigarettes). The revenue must be used for construction of a sports facility. Cuyahoga County adopted a tax of 4.5 cents per pack as of August 1, 1990 (see **Cigarette Tax – County** section).

Sections of Ohio Revised Code

Chapter 5743.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

Year		Total Tax Rate Per Pack of 20
1931	• Tax enacted.	Two cents
1956	• One cent rate increase.	Three cents
1959	• Two cents rate increase.	Five cents
1969	• Five cents rate increase.	10 cents
1971	• Five cents rate increase. • Cigarettes exempted from sales tax.	15 cents

Cigarette and Other Tobacco Products Tax

1981	• One cent rate decrease. • Cigarettes made subject to sales tax.	14 cents
1983	• Tax changes to a per-cigarette rate of 0.7 cent(s).	14 cents
1986	• Counties authorized to levy permissive cigarette tax for funding the building of a sports facility.	14 cents
1987	• Rate increase of 0.2 cent(s) per cigarette.	18 cents
1991	• All cigarette tax revenues allocated to the General Revenue Fund when capital improvement bonds retired in 1992.	18 cents
1992	• As of January 1, 1992, taxpayers no longer allowed 30-day credit on purchases of tax stamps and impressions. • Other tobacco products tax enacted at 17% of the wholesale price. • Rate increase of 0.3 cent(s) per cigarette.	24 cents
1994	• Taxpayers allowed 30-day credit on purchases of tax stamps and meter impressions from July 1 to April 30 of each year.	24 cents
1999	• Prohibited affixing of tax stamps to certain packages of cigarettes (gray market cigarettes). • Required tobacco manufacturers selling cigarettes in Ohio and not part of the Attorney General's tobacco settlement to place funds annually in escrow accounts for payment of future lawsuits.	24 cents
2001	• Reduced minimum allowable cigarette stamp discount rate from 3.6% to 1.8%.	24 cents

Cigarette and Other Tobacco Products Tax

2002	• Rate increase of 1.55 cents per cigarette effective July 1.	55 cents
2003	• Purchase of stamps on credit without a bond permitted for qualifying wholesalers.	55 cents
2005	• Rate increase of 3.5 cents per cigarette effective July 1.	$1.25

Comparisons with Other States (As of 01/06)

State	**Cigarette Tax Rate Per Pack of 20** (monetary amount)	**Other Tobacco Products Rate** (percent of wholesale price)
California	87.0 cents	46.76%
Florida	33.9	25.0*(1)*
Illinois	98.0	18.0
Indiana	55.5	18.0
Kentucky	30.0	7.5
Massachusetts	$1.51	30.0*(2)*
Michigan	2.00	32.0
New Jersey	2.40	30.0
New York*(3)*	1.50	37.0
Pennsylvania	1.35	—
Texas	41.0 cents	35.213*(4)*
West Virginia	55.0	7.0

Notes: *(1)Tax is levied on smoking tobacco, chewing tobacco, and snuff. (2)Tax is levied on smoking tobacco and cigars. There is also a tax on smokeless tobacco of 90% of the wholesale price. (3)There is also a use tax of $1.50 per pack on unstamped cigarettes. (4)Tax rate shown is for tobacco and snuff. Cigars are taxed at a variable rate, based on price, of from one cent to 15 cents per ten cigars.*

Corporation Franchise Tax

Taxpayer

Domestic and foreign corporations doing business in Ohio, owning capital or property in Ohio, holding a charter or certificate of compliance authorizing the corporation to do business in Ohio, or otherwise having nexus with Ohio during the calendar year (unless specifically exempt).

Tax Base

The corporation franchise tax is an excise tax levied on the value of a corporation's issued and outstanding shares of stock. There are two bases for determining the value of a corporation's issued and outstanding shares: the net income base and the net worth base. A taxpayer pays tax on that base, described below, that produces the greater tax.

1. ***Ohio Net Worth Base (taxable value):*** Net book value of assets less net carrying value of liabilities yields net worth. The net book value of exempted assets is subtracted from net worth, and any "qualifying amount" as reflected on the books of the corporation is added to net worth, thus yielding the net value of the stock. This amount is multiplied by the Ohio apportionment ratio to yield taxable net worth.
2. ***Ohio Net Income Base (Ohio taxable income):*** The computation begins with federal taxable income, plus or minus any Ohio adjustments. From this tax base, business income is apportioned to Ohio by the Ohio apportionment ratio, and nonbusiness income is allocated in and outside Ohio based upon certain situsing provisions. For taxable years ending prior to June 26, 2003, Ohio law made no distinction between business income and nonbusiness income. The total income allocated and apportioned to Ohio, plus certain additions and minus certain deductions, yields Ohio taxable income.

The Ohio apportionment ratio is the sum of the property factor (the ratio of property in Ohio to property everywhere, times 20%), the payroll factor (the ratio of payroll in Ohio to payroll everywhere, times 20%), and the sales factor (the ratio of sales in Ohio to sales everywhere, times 60%).

Net income base apportionment:

For taxable years ending on or after June 26, 2003 the net income base property, payroll, and sales factors specifically exclude that portion of property, payroll, and sales otherwise includable in the factors to the extent that the portion relates to, or is used in connection with, production of nonbusiness income allocable under Ohio Revised Code section 5733.051 (see R.C. 5733.05(B)(2) as amended by Amended Substitute House Bill 95, 125th General Assembly). For example, real property generating allocable nonbusiness rental income is excluded from the denominator of the property factor, and if the property is in Ohio, from the numerator as well.

For taxable years ending on or after December 11, 2003, receipts from services are sitused to Ohio in proportion to the purchaser's benefit, with respect to the sale, in Ohio, to the purchaser's benefit, with respect to the sale, everywhere.

Net worth base apportionment:
For taxable years ending on or after June 26, 2003, the numerator and denominator of the net income base property, payroll, and sales factors are adjusted to include the portion of any real property and tangible personal property, payroll, and sales, respectively, relating to, or used in connection with, production of nonbusiness income allocated under R.C. 5733.051 (see R.C. 5733.05(C)(2)). For example, real property generating nonbusiness rental income allocated to Ohio is excluded from both the numerator and denominator of the net income base property factor, but the net worth base apportionment property factor is adjusted to include such property.

Rates

General Rate (excluding financial institutions):

1. 4.00 mills on Ohio net worth. The maximum tax for each taxpayer on the net worth base is $150,000.
2. 5.1% on the first $50,000 of Ohio net income plus 8.5% on Ohio net income in excess of $50,000. (Corporations that meet ownership requirements to file a combined report must share the tax bracket to which the 5.1% rate applies, regardless of whether or not the corporations filed combined.)

For taxable years ending on or before June 25, 2003, the minimum fee is $50. For taxable years ending on or after June 26, 2003, the minimum fee increased to $1,000 if: (a) the sum of the taxpayer's gross receipts from its activities in and outside Ohio during the year equals or exceeds $5.0 million, or (b) the total number of its employees in and outside Ohio at any time during the year equals or exceeds 300. For all other taxpayers the minimum fee remains $50.

In addition, corporations are subject to a litter tax. Each corporation is subject to the Tier I litter tax, and “litter stream” corporations are also subject to the Tier II litter tax. The litter tax does not apply to financial institutions.

Franchise Tax Phase-Out. For most taxpayers the franchise tax will ratably phase out over the five franchise tax years 2006 through 2010 (taxable years ending in 2005 through 2009; rates decrease each year to reach zero in 2010). During this same period Ohio’s new commercial activity tax (CAT) will phase in by increasing rates each year for most franchise taxpayers. (For a list of entities not subject to the franchise tax phase-out and not subject to the CAT, see the “Exceptions to Franchise Tax Phase-Out” paragraph on the following page.)

For report years 2006, 2007, 2008, 2009, and 2010, franchise taxpayers subject to the phase-out must pay 80%, 60%, 40%, 20%, and 0.0%, respectively, of the franchise tax **after non-refundable credits** that they would otherwise pay were it not for the phase-out. However, the nonrefundable credit for tax paid by a qualifying pass-through entity is fully recoverable. Rather than applying the phase-out factor to this credit, the new law phases out the tax that a pass-through entity must pay on its Ohio income passing-through to qualifying investors that are subject to the franchise tax phase-out.

For report year 2006, franchise taxpayers subject to the phase-out must multiply their franchise tax after nonrefundable credits (other than the nonrefundable credit for tax paid by a qualifying pass-through entity) by the 80% phase-out factor. For those taxpayers subject to the franchise tax phase-out, the phase-out applies to the 2006 report even if the taxpayer’s taxable year ended prior to the June 30, 2005 effective date of the new law.

The phase-out factor has no effect on the franchise tax minimum fee. Taxpayers liable for the minimum fee will continue to pay the full fee during the phase-out period.

Corporation Franchise Tax

Exceptions to Franchise Tax Phase-Out. The franchise tax phase-out and CAT phase-in do not apply to the following entities: (a) financial institutions, (b) financial holding companies, (c) bank holding companies, (d) savings and loan holding companies, (e) affiliates of entities described in (a) through (d) above when engaged in financial institution-type activities, (f) certain affiliates of insurance companies when engaged in insurance-type activities, and (g) "securitization" companies described in R.C. 5751.01(E)(10).

Financial institutions rate:
13 mills on net worth, but the $150,000 net worth tax limit does not apply.

Major Exemptions
- Nonprofit corporations.
- Dealers in intangibles (stockbrokers, mortgage companies, etc.).
- Insurance companies, HMO's, and other corporations required to file annual reports with the Director of the Ohio Department of Insurance.
- Public utilities (except railroads, electric companies, long distance telephone companies, and beginning in 2005 all telephone companies).
- Credit unions.
- "S" corporations and qualified subchapter S subsidiaries (QSSS).
- Real Estate Investment Trusts (REIT), Regulated Investment Companies (RIC), and Real Estate Mortgage Investment Conduits (REMIC).
- Corporations in bankruptcy proceedings under Chapter 7 of the U.S. Bankruptcy Code.
- Corporations exempt under federal law.
- High-technology start-up companies are exempt from the net worth base. Subject to certain limitations, a corporation that is organized not more than three years prior to March 31 of any tax year during the 2003-2007 period is not subject to the net worth base of the franchise and litter taxes during such tax year. (Such corporations are subject to the net income base of the franchise and litter taxes.)
- Qualifying holding companies are exempt from the net worth base.

Corporation Franchise Tax

Revenue (In Millions)

Fiscal Year	General Rev. Fund	Local Gov't. Funds	Other Funds*	Total
2001	$915.3	$46.1	$11.6	$973.0
2002	712.3	48.8	13.3	774.4
2003	747.2	47.5	13.6	808.3
2004	809.1	47.5	14.0	870.6
2005	1,051.6	47.5	12.5	1,111.6

Note: **Includes litter funds and Attorney General Claims Fund.*

Disposition of Revenue

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds were frozen and each received the same amount of corporation franchise tax revenue as they received in Fiscal Year 2001. The remainder was deposited in the General Revenue Fund. This freeze was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. Refer to **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of the deposits into the local government funds.

Payment Dates

January 31: 1/3 of tax liability.
March 31: 1/3 of tax liability.
May 31: 1/3 of tax liability.

Special Provisions/Credits

A nonrefundable credit is provided for cash donations made to municipal corporations, townships, counties, park districts, and boards of education that have received litter control and recycling grants. The credit is limited to the lesser of one-half of the cash donation or one-half of the sum of the litter taxes paid by the taxpayer.

Corporation Franchise Tax

A nonrefundable credit is provided to state-chartered savings and loan institutions for the difference between the annual assessment paid to the state division of savings and loans and the supervisory fees paid to the federal savings and loan insurance corporation.

A nonrefundable credit is available equal to the taxpayer's proportionate share of the tax paid by a pass-through entity in which the taxpayer is directly or indirectly a qualifying investor.

In determining Ohio taxable income, a corporation claiming the pass-through entity credit must add to federal taxable income the amount claimed as a credit to the extent that the amount was deducted or excluded from the corporation's federal taxable income.

In addition to other applicable credits, corporations located in an "enterprise zone" may qualify for three nonrefundable credits:

- Credit for amount reimbursed to certain employees for day care costs — maximum of $300 per child.
- Credit for amount reimbursed to certain employees for job training costs — maximum of $1,000 per employee.
- Credit for each new employee hired who had been a participant in the Ohio Works program, the prevention, retention, and contingency program, or the former general assistance program — $1,000 per employee.

A nonrefundable credit or grant may be taken for manufacturing machinery and equipment purchased between July 1, 1995 and June 30, 2005 and located in Ohio. The credit is 7.5% of the amount by which the cost of the qualifying equipment purchased during the qualifying period for use in an Ohio county exceeds the "base investment" for that county. For equipment that is located in certain eligible areas (areas classified as inner city, distressed, labor surplus, or in situational distress), the credit percentage is 13.5% rather than 7.5%. For taxable years ended on or after July 1, 2005, the credit converts to a grant administered by the Ohio Department of Development (even for the 1/7 amounts from 2004 and earlier qualifying purchases).

Corporation Franchise Tax

A nonrefundable credit may be claimed by grape producers equal to 10% of the cost of property used in growing, harvesting or producing grapes in Ohio.

A nonrefundable credit may be granted to investors who make qualified investments in qualifying small Ohio-based research and development or technology transfer companies. The credit is 25% of the amount of capital invested by the taxpayer in the qualifying company.

A nonrefundable credit is provided equal to one-half of the average annual costs for an eligible job training program, subject to a maximum of $1,000 per trained employee and a $100,000 maximum per taxpayer.

A nonrefundable credit is available equal to 7.0% of the excess of qualified research expenses incurred during the taxable year over the average annual qualified research expenses incurred during the three preceding taxable years. For those taxpayers subject to the franchise tax phase-out and the CAT phase-in, the 2008 franchise tax report is the last report for which the R.C. 5733.351 nonrefundable credit for qualified research expense will apply. The credit then automatically converts to a nonrefundable credit against the taxpayer's CAT liability for CAT periods beginning on or after January 1, 2008. For those taxpayers not subject to both the franchise tax phase-out and the CAT phase-in, the credit continues under the franchise tax.

A nonrefundable credit is available to an affiliated group if the group pays over $3.5 million in additional tax as a result of the related entity and related member adjustments. The credit is equal to the additional tax in excess of $3.5 million but may not exceed $1.5 million.

A nonrefundable credit is provided to railroad companies equal to 10% of their total maintenance expenditures during the taxable year for each grade crossing warning device in this state. But the credit for each device may not exceed $200 per year.

A nonrefundable credit may be granted by the Director of the Ohio Department of Development equal to 10% of a company's costs incurred in completing a voluntary clean-up of a contaminated site (not to exceed $500,000).

Corporation Franchise Tax

A nonrefundable credit is available to electric companies equal to $1.0 per ton of Ohio coal used in a coal-fired electric generating unit.

A nonrefundable credit is available beginning in tax year 2004 equal to a borrower's qualified research and development loan payments during the calendar year immediately preceding the tax year. These payments represent principal and interest on a loan made to the borrower from the research and development fund administered by the Ohio Department of Development. For those taxpayers subject to the franchise tax phase-out and the CAT phase-in, the last year the credit is applicable to the franchise tax is report year 2008. This credit then automatically converts to a nonrefundable credit against the CAT. For those taxpayers not subject to both the franchise tax phase-out and the CAT phase-in, the credit continues under the franchise tax.

A nonrefundable credit is available to encourage large Ohio manufacturers to retain jobs in Ohio. The credit applies to: (a) taxpayer-manufacturers that make a capital investment of at least $200 million at a single Ohio project site during any three consecutive calendar years after 2001, and to (b) taxpayers that make a capital investment of at least $100 million at a single Ohio project site during any three consecutive calendar years after 2001 provided that the average wage of all full-time employment positions at the project site is greater than 400% of the federal minimum wage. For those taxpayers subject to the franchise tax phase-out and the CAT phase-in, the 2008 franchise report is the last year in which the credit may be claimed on the franchise report. The credit then automatically converts to a nonrefundable CAT credit beginning on January 1, 2008 for the remaining years of the taxpayer's agreement with the Ohio Tax Credit Authority. For those taxpayers not subject to the franchise tax phase-out and the CAT phase-in, the credit continues under the franchise tax.

A credit is available beginning in tax year 2007 to Ohio Venture Capital Program lenders and investors to provide some security against losses on loans to the program.

Telephone companies may be entitled to one or more of the following credits for:

- small telephone companies;
- eligible nonrecurring 9-1-1 charges; and
- providing programs to aid the communicatively impaired.

Financial institutions are subject to a franchise tax net worth base that differs from the net worth base of general corporations. Financial institutions are also subject to a different apportionment formula than that used for general corporations.

A corporation that dissolves or surrenders its license to conduct business prior to January 1 of the tax year, while not subject to the franchise tax, is subject to an "exit tax" on its unreported Ohio net income (income not previously included in a franchise tax report). Under certain circumstances the income of a transferor corporation no longer subject to the franchise tax is attributed to a transferee corporation that received substantially all of the transferor corporation's assets in a tax free reorganization.

Under certain circumstances a taxpayer must add to its income certain gains and losses that were included in the federal taxable income of a related entity that is not an Ohio taxpayer. Interest expense and intangible expense paid to related members are also added to a taxpayer's net income.

If a taxpayer is a related member to a qualifying holding company, the taxpayer must adjust its net worth and debt by the "qualifying amount." The qualifying amount is an amount that results in the taxpayer's debt-to-equity ratio equaling the debt-to-equity ratio of the qualifying controlled group of which the taxpayer is a member.

Sections of Ohio Revised Code
Chapter 5733, Chapter 5751.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1902 • Enacted at rate of 1.0 mills on value of capital stock located in Ohio.

1959 • Rate increased to 3.0 mills.

1967 • Rate increased to 4.0 mills.

Corporation Franchise Tax

1969 • Rate increased to 5.0 mills.

1971 • Income base added; 4.0% on first $25,000 of net income, 8.0% on $25,001 and above.

1978 • Credit allowed for certain tangible property taxes.

1980 • Additional "litter" rates enacted for tax years 1981 through 1986:

Litter rates for all corporations except "litter stream corporations – 0.14 mill on net worth, or 0.11% on the first $25,000 of income and 0.22% on income over $25,000. Maximum tax of $5,000.

Litter rates for corporations manufacturing or selling "litter stream" products – 0.28 mill on net worth, or 0.11% on the first $25,000 of income and 0.44% on income over $25,000. Maximum tax of $10,000.

• 15% surtax imposed for tax year 1981.

1981 • Increase in regular corporate rates to 5.5 mills on net worth and to 4.6% and 8.7% on net income. The minimum tax was increased to $150. Financial institutions exemption repealed; they became taxed at a 6.5-mill rate on net worth for tax years 1982 and 1983.
• 5.75% surtax imposed for tax year 1982.

1982 • 5.75% surtax imposed for tax year 1983.

1983 • Increase in regular corporate rates to 5.82 mills on net worth and to 5.1% and 9.2% on net income plus a 5.4% surtax. The minimum tax was reduced to $50.
• Increase in financial institutions rates to 15 mills on net worth plus an additional tax of 6.47 mills on savings and loans and 1.54 mills on other financial institutions for tax years 1984 and 1985.

1985 • Litter tax rates continued through 1991.
• Surtax on net income reduced to 2.7% in 1987, repealed in 1988.
• "S" corporations exempted beginning in 1987.

Corporation Franchise Tax

1986 • Net income top rate decreased to 8.9% in 1988; lower bracket doubled to first $50,000 of net income for 1989.

1987 • Long-distance telephone companies subject to tax in 1988.
• Litter tax rates continued through 1993.

1989 • Corporations undergoing "F" reorganizations subject to tax.

1991 • Income transferred to passive investment corporations subject to tax and certain costs and expenses paid to those corporations disallowed.

1992 • Credit for increased exports enacted.
• Credit for new jobs created.
• Railroads explicitly subject to tax in 1993.
• Litter tax rates extended to 1995.

1994 • 20% investment tax credit enacted.
• Enterprise zone employment credit created.
• Grape production credit enacted.
• Litter tax rates made permanent.

1995 • 7.5% and 13.5% investment tax credits enacted.
• Portion of corporation franchise tax payments made by railroads earmarked for rail development fund (expired in FY 2000).

1996 • Credit given for costs incurred completing voluntary clean-up of a contaminated site.
• Credit given for investors who make qualified investments in an Ohio early stage investment entity.

1997 • Eligible period for 7.5% and 13.5% investment tax credits extended to December 31, 2000.
• Effective tax year 1999, net worth tax simplified, tax rate lowered to 4.0 mills and maximum liability of $150,000; top net income tax rate also lowered to 8.5%. Tax on financial institutions reformed effective tax year 1998 with a 14-mill rate in tax year 1999 and 13-mill rate beginning tax year 2000. Net income tax rates imposed on qualifying pass-through entity income.

Corporation Franchise Tax

1999
- Eligible period for 7.5% and 13.5% investment tax credits extended to December 31, 2005.
- Effective tax year 2001, credit given for increased instructional costs for employee training.
- Effective tax year 2002, credit provided for increase in qualified research expenses.
- Effective tax year 2002, credit available for costs of maintaining active railroad grade crossing devices.
- Electric utilities subject to corporation franchise tax effective in 2002.
- Credit of $3.0 per ton of coal burned in coal-fired electric generating unit after April 30, 2001 but before January 1, 2005, effective in 2002.

2000
- Effective tax year 2001, credit of lesser of $1,000 or one-half of the cost of lights and reflectors installed on agricultural tractors, if purchased between October 5, 2000 and October 4, 2001.
- Job training credit changes enacted.

2001
- Job training tax credit delayed until tax year 2004 and extended through tax year 2006 (originally scheduled to expire in tax year 2004).
- Credit for increase on qualified research expenses delayed until tax year 2004 (originally scheduled to begin in tax year 2002).
- Effective tax year 2003, credit available on investments made by a financial institution in a dealer in intangibles.
- Effective tax year 2003, credit available for fostering job retention.
- Effective tax year 2003, net worth exemption for high-tech start-ups for first three years of existence.

2002
- Job retention credit created.
- Net worth exemption enacted for high-tech start-up companies.
- Credit enacted for investment in certified ethanol plants.
- Bonus depreciation adjustment.
- Codification of the Department of Taxation's policy and interpretation of disregarded entities.
- Codification of uniform application for refund procedure applicable to franchise tax and various other taxes.

Corporation Franchise Tax

- Codification of a uniform petition for reassessment procedure applicable to franchise tax and various other taxes.
- Revision of the late payment penalty including a penalty safe-harbor for estimated payments.
- Extension of the Ohio net operating loss carry over consistent with federal law.

2003
- For taxable years ending on or after June 26, 2003, enacted business/nonbusiness income treatment:
  - Internal Revenue Code (I.R.C.) section 179 depreciation adjustment;
  - revision of sham transaction statute;
  - increased to $1,000 the minimum fee for certain large corporations; and
  - permitted net worth apportionment ratio to differ from net income apportionment ratio.
- Manufacturing and equipment credits extended ten years to Dec. 31, 2015.
- Research and development loan repayment credit enacted.
- Credit allowed for losses on loans made to Ohio Venture Capital Program.
- Sales factor amendments enacted that implemented a market-theory approach for sales other than inventory sales of tangible personal property and real estate.

2004
- Local telephone companies subjected to tax beginning in tax year 2005. Tax year 2005 liability, for companies with a taxable year ending in 2004, was computed by multiplying by 50% the tax otherwise due, net of all nonrefundable credits; companies also required to compute the net operating loss carried forward from tax year 2005 to a future year by multiplying by 50% the net operating loss otherwise computed for the taxable year ending in 2004.
- Apportionment method of net income base changed for sales factor ratio of income from sales of services and certain intangibles; such sales were sitused to the location where the benefit of the sale is received.

2005
- Phase-out of the corporation franchise tax enacted over the five franchise tax years 2006 through 2010. For report years 2006, 2007, 2008, 2009, and 2010 franchise

taxpayers must pay 80%, 60%, 40%, 20%, and 0.0%, respectively, of the franchise tax after nonrefundable credits they would otherwise pay were it not for the phase-out. The nonrefundable credit for tax paid by a qualifying pass-through entity made fully recoverable.

- For taxable years ending on or after July 1, 2005 the nonrefundable credit for purchases of new manufacturing machinery and equipment (7.5%-13.5% credit) converted to a grant administered by the Department of Development. The qualifying purchase period for the credit and the grant ended on June 30, 2005; equipment purchased after June 30, 2005 does not qualify for the credit or the grant. Equipment required to be installed by June 30, 2006. Prior law required installation by December 31, 2015.
- Credit per ton of Ohio coal used in a coal-fired electric generating unit decreased to $1.0 per ton (from $3.0).

Comparisons with Other States (As of 01/06)

California

8.84% of net income.

Florida

5.5% of net income. Corporations subject to federal alternative minimum tax pay equal to the greater of the regular 5.5% net income tax or 3.3% alternative minimum tax. Taxpayers are also subject to excise tax of 2.2% on the adjusted value of the federal Accelerated Cost Recovery System (ACRS) depreciation allowance.

Illinois

4.8% of net income. Taxpayers are also subject to 2.5% personal property replacement tax on net income and 0.1% franchise tax on paid-in capital.

Indiana

8.5% of adjusted gross income; 5.0% of adjusted gross income derived from sources within a qualified area that contains an inactive or closed military base.

Kentucky

Taxpayers pay tax based on the greater of the taxable net income calculation, the alternative minimum calculation, or the minimum tax of $175. Tax on net income is imposed at the following rates:

Corporation Franchise Tax

Comparisons with Other States (As of 01/06)

Taxable Net Income			Rate
Up to	–	$50,000	4.00%
$50,001	–	100,000	5.00
Over	–	100,000	7.00

The alternative minimum tax calculation is equal to the lesser of $0.095 per $100 of gross receipts or $0.75 per $100 of the taxpayer's Kentucky gross profits.

Massachusetts

Corporations pay a tax based in part on each of the following:

- 0.26% on taxable tangible property that is not subject to local taxation or on allocated net worth, plus a 14% surtax; and
- 9.5% of taxable net income plus a surtax of 14% with a minimum tax of $456 ($400 base rate, plus a surtax of 14% of the net tax paid).

Michigan

Adjusted tax base includes business income, compensation paid to employees, interest payments, and depreciation of tangible assets. For taxpayers with a fiscal year ending in December, the tax year 2006 rate is 1.9%.

New Jersey

For tax year 2006, corporations pay the greater of the following:

- a minimum tax of $500 ($2,000 if annual payroll is at least $5.0 million); or
- a tax of 9.0% if the corporation's entire net income exceeds $100,000, 7.5% if the corporation's entire net income is $50,001 to $100,000, or 6.5% if the corporation's entire net income is $50,000 or below.

New York

The greater of:

- 7.5% of allocated entire net income;
- 0.178% of allocated business and investment capital (not to exceed $350,000 for manufacturers or $1.0 million for all other taxpayers);

Corporation Franchise Tax

Comparisons with Other States (As of 01/06)

- 2.5% of minimum taxable income or a fixed dollar minimum of $100 to $10,000, depending on gross payroll;
- plus 0.9% of allocated subsidiary capital.

Pennsylvania

9.99% of net income plus 0.499% of taxable value of capital stock.

Texas

The greater of 0.25% on net taxable capital or 4.5% on net taxable earned surplus.

West Virginia

9.0% of net income plus additional franchise tax equal to $50 or 0.70% of the value of the taxpayer’s capital, whichever is greater.

Dealers in Intangibles Tax

Taxpayer
Firms having an office or other place of business in Ohio and engaged in: lending money; discounting, buying or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness; buying or selling bonds, stocks, or other investment securities; or as agent or broker for others with a view to profit or personal earnings.

Tax Base
The tax base for dealers in intangibles is either: shares of stock of incorporated dealers or unincorporated dealers with capital stock divided into shares; or, capital employed by unincorporated dealers with capital stock divided into shares.

Rate
Eight mills (0.8%) of value.

Major Exemptions
The following are excluded from the definition of a dealer in intangibles:
- institutions used exclusively for charitable purposes;
- insurance companies; and
- financial institutions.

Revenue (In Millions)*

Fiscal Year	Gen. Rev. Fund	Local Portion	Total
2001	$9.5	$15.4	$24.9
2002	7.1	11.4	18.5
2003	30.0	8.7	38.7
2004	29.9	10.7	40.6
2005	25.2	11.4	36.6

Note: **Figures in this table are on a fiscal year basis and from the Office of Budget and Management. These amounts will not match the calendar year tax liability data contained in the Department of Taxation's Annual Report.*

Disposition of Revenue
- State General Revenue Fund: three-eighths of taxes.

Dealers in Intangibles Tax

- County Undivided Local Government Fund: five-eighths of taxes.
- Effective for tax year 2003, all taxes from qualifying dealers that are members of a qualifying controlled group of which a financial institution or an insurance company is a member are deposited in the state General Revenue Fund.

Payment Dates

Dealers in intangibles must file tax returns by the second Monday in March, and the Tax Commissioner certifies the tax to the Ohio Treasurer of State by the first Monday of May. Within 20 days the Treasurer issues a tax bill with payment 30 days from the date the tax bill is mailed.

Special Provisions/Credits

- The venture capital tax credit is available to qualified dealers in intangibles.
- The eligible employee training cost tax credit is available to dealers in intangibles.

Sections of Ohio Revised Code

Chapters 150, 5707, 5719, and 5725.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1931 • Enacted at 5.0 mills.

1971 • One mill increase earmarked for state General Revenue Fund.

1987 • Two mill increase for state General Revenue Fund.
• Assessment certification date changed from first Monday in June to first Monday in May.

2001 • Effective for tax year 2003, qualifying dealers in intangibles defined to be those dealers that are members of a qualifying controlled group of which a financial institution or insurance company is a member. All revenue generated from such taxpayers is deposited in the state General Revenue Fund.

2005 • Effective for 2006, the term “primarily” is used to

Dealers in Intangibles Tax

determine who meets the definition of a dealer in intangibles, and the Tax Commissioner is required to adopt a rule defining “primarily” with input from industry representatives.

- Effective for 2006, a Notification Form of Dealer Status is required.
- The venture capital tax credit made available to qualified dealers in intangibles.

Comparisons with Other States (As of 01/06)

No other state has a similar special tax on dealers in intangibles.

Estate Tax

Taxpayer
The estate representative (executor, administrator, trustee, etc.) or person in possession of taxable property.

Tax Base
The net taxable estate equals the value of the gross estate less allowable deductions.

Rates

Net Taxable Estate	Tax Rate

For dates of death on or after January 1, 2002:

If the net taxable estate is:	*The tax shall be:*
Over $338,333 but not over $500,000	$13,900 plus 6% of the excess over $338,333
Over $500,000	$23,600 plus 7% of the excess over $500,000

For dates of death on or after January 1, 2001 but before January 1, 2002:

If the net taxable estate is:	*The tax shall be:*
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000

For dates of death on or after July 1, 1968 but before January 1, 2001:

If the net taxable estate is:	*The tax shall be:*
Not over $40,000	2% of the net taxable estate
Over $40,000 but not over $100,000	$800 plus 3% of the excess over $40,000
Over $100,000 but not over $200,000	$2,600 plus 4% of the excess over $100,000
Over $200,000 but not over $300,000	$6,600 plus 5% of the excess over $200,000
Over $300,000 but not over $500,000	$11,600 plus 6% of the excess over $300,000
Over $500,000	$23,600 plus 7% of the excess over $500,000

Estate Tax

Major Exemptions

- 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, but only to the extent that the asset is included in the value of the Ohio gross estate.
- Other Deductions:
  Certain items eligible to be deducted from the gross estate prior to calculating tax liability include, but are not limited to: funeral expenses, costs of administering the estate, unpaid debts against the estate, charitable bequests, as well as that portion of an annuity or other death benefit plan contributed by an employer or former employer of the decedent.

Revenue (In Millions)*

Fiscal Year	Local Governments	General Revenue Fund	Total
2001	$285.6	$166.0	$451.6
2002	259.2	116.3	375.5
2003	256.9	100.8	357.7
2004	226.1	64.2	290.3
2005	240.5	60.4	300.9

Note: **State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because they are based on the certification of the local share (including fees) from the semi-annual settlements that occur each year.*

Disposition of Revenue

Estates with dates of death on or after January 1, 2002:

- 80% to the municipal corporation or township of origin;
- 20%, less costs of local administration, to the state General Revenue Fund.

Effective for dates of death on or after June 29, 2004, local governments share in the costs of administering the estate tax in the same 80/20 split as the disposition of estate tax revenue.

Payment Dates

The estate tax return is to be filed within nine months of the decedent's death. However, an automatic six-month extension is granted to all estates. Payment of the estate tax is due at the expiration of nine months from the date of the decedent's death to the treasurer of the county where the estate tax return was filed.

Special Provisions/Credits

For estates with a date of death on or after January 1, 2002, the credit is equal to the lesser of $13,900 or the amount of estate tax owed. This effectively exempts the first $338,333 of the taxable estate from taxation.

Additional Estate Tax:
Tax levied in addition to the basic estate tax, to take advantage of a now repealed federal law which allowed a credit against federal estate tax liability for state death taxes paid. Because the additional estate tax statute has been amended to incorporate changes made by Congress to the Internal Revenue Code as of June 30, 2005, the state additional estate tax is constructively repealed for all decedents who die on or after July 1, 2005.

Generation-Skipping Tax:
Tax levied to take advantage of a now repealed federal law which allowed a state credit against federal tax liability on generation-skipping transfers of property. Because the generation-skipping transfer tax statute has been amended to incorporate changes made by Congress to the Internal Revenue Code as of June 30, 2005, the state generation-skipping transfer tax is constructively repealed for all taxable distributions and taxable terminations occurring on or after July 1, 2005.

Sections of Ohio Revised Code

Chapter 5731.

Responsibility for Administration

The Tax Commissioner administers the estate tax. The tax is collected locally by the treasurer of the county in which the decedent resided. Tax due for a nonresident decedent owning real property or tangible personal property in Ohio is paid to the county where the return is filed. This is generally the county in which the majority of the real property or tangible personal property is located.

Estate Tax

History of Major Changes

1893 • First Ohio death tax enacted – an inheritance tax levied on the succession of property from a decedent's estate.

1968 • Inheritance tax repealed and an estate tax levied on taxable value of the estate.

1976 • Surviving spouse exemption raised from $20,000 to $30,000.

1979 • Resident decedent estates with gross value under $5,000 exempted from filing returns.

1982 • Resident decedent estates with gross value under $10,000 exempted from filing returns, and all previous general and family exemptions doubled in amount.

1983 • Tax credit and marital deduction adopted, family and general exemptions repealed, and resident decedent estates with gross value under $25,000 exempted from filing returns.

1993 • Unlimited marital deduction became effective July 1,1993.

1997 • Effective March 7, 1997, excluded from taxable estate that portion of an annuity or other death benefit plan contributed by an employer.

1999 • Increased from $25,000 to $40,000 the amount of property or money that a surviving spouse and/or children of the decedent can claim as an allowance for support.
• Increased from $85,000 to $100,000 the maximum value of a decedent's estate that can be relieved from administration, but only where the surviving spouse is entitled to inherit all assets of the estate.

2000 • Two year phased-in increase of the estate tax credit from $500 to $13,900.
• Two year phased-in increase of the local share of estate tax revenue from 64% to 80%, lowering the state share from 36% to 20%.
• Deduction created for qualifying family-owned business interests.

Estate Tax

- A trustee's duty to distribute income at least annually to a surviving spouse from an IRA marital deduction trust is satisfied so long as the language is in place to require that distribution.

2001 • Adoption of provisions (where certain circumstances apply) increasing from nine months to 13 months the timeframe within which an executor or administrator, after the date of their appointment, shall collect decedent's assets and complete the estate administration.

2002 • Provisions adopted that shortened the amount of time that another person must survive a decedent in order to inherit; also expanded the presumptive order of death to include probate and nonprobate transfers.

2003 • Procedures enacted for distribution of a trust estate when a probate court terminates a trust with a fair market value of less than $100,000; also expanded the prohibition against trusts accumulating more than one year of income interest granted to a surviving spouse where that income interest is eligible for a qualified terminable interest property deduction.

2004 • Requirement expanded for sharing of administrative costs of estate tax between local governments and the state in proportion to their respective share of gross estate tax revenues; local governments required to pay 80%, and the state 20%.

2005 • Adoption of a general definition of the Internal Revenue Code for purposes of Ohio estate tax law.
- Constructive repeal of the Ohio additional estate tax. Creation of a temporary credit so that this change can be incrementally retroactive to January 1, 2002.
- Constructive repeal of the Ohio generation-skipping transfer tax. The termination of the state generation-skipping transfer tax applies to all taxable distributions and taxable terminations occurring on or after July 1, 2005.
- The estate tax deduction for qualifying family-owned business interests repealed effective for decedents' dates of death occurring on or after July 1, 2005.
- Effective July 1, 2005, interest owing on both underpay-

ments and overpayments of estate tax calculated based on the “federal short-term rate” without adjustment. Any interest calculated on the estate tax is consequently reduced by 3.0%.

- County auditors, in addition to the undivided inheritance or estate tax fund, authorized to use revenue from the county real estate assessment fund for estate tax enforcement.

Comparisons with Other States (As of 03/06)

Unlike **Ohio,** some states, including **Indiana, Kentucky, New Jersey,** and **Pennsylvania** levy inheritance taxes rather than estate taxes. An inheritance tax is based upon the succession of property transferred to an individual and the relationship of that individual to the decedent, rather than upon the value of the estate itself.

Other states, including **California, Florida, Michigan, Texas,** and **West Virginia,** levy a pick-up tax equivalent to the current federal credit. Consequently, effective January 1, 2005 with the total repeal of the federal credit, these states currently have no death tax.

The following states have de-coupled their estate tax from the federal code: **Illinois, Massachusetts, New Jersey, New York,** and **Pennsylvania.**

Horse Racing Tax

Taxpayer
Racing permit holder.

Tax Base
Pari-mutuel tax is levied on the total amount wagered each day. An additional wagering tax is levied on exotic wagering (other than win, place and show). This includes the daily double, quinella, perfecta, and trifecta.

Rates
Pari-mutuel daily wagering (total rates):

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:
3.0% of the amount wagered daily.

Major Exemptions
None.

Revenue (In Millions)

Fiscal Year	Passport Fund	Thoroughbred Fund	Standardbred Fund	Other Funds	Total
2001	$5.5	$4.2	$1.9	$5.7	$17.3
2002	5.2	3.9	2.1	6.2	17.4
2003	4.6	3.3	2.0	5.6	15.5
2004	4.4	3.2	2.1	6.2	15.9
2005	4.0	2.9	1.9	5.8	14.6

Disposition of Revenue

Distribution to:	Amount
Ohio Passport Fund	25% of gross tax, 0.5% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor.
Agricultural Societies	Remainder after distributions to other funds plus 16.7% of the tax on exotic wagering conducted at county fairs.

Horse Racing Tax

Ohio Fairs Fund	0.5% of total wagering plus 8.3% of exotic wagering.
Ohio Standardbred Development Fund	1.125% of total wagering on harness races plus 8.3% of exotic wagering on harness races.
Ohio Quarter Horse Development Fund	0.625% of total wagering on quarter horse races plus 8.3% of exotic wagering on quarter horse races.
Ohio Thoroughbred Race Fund	1.125% of total wagering on thoroughbred races and 0.50% of total wagering on commercial harness races plus 8.3% of exotic wagering on thoroughbred races.
State Racing Commission Operating Fund	0.25% of total wagering plus 16.7% of the revenues from the 3.0% exotic wagering tax and 0.50% of exotic wagering on thoroughbred, harness, and quarter horse races.

Payment Dates
At the end of each racing day.

Special Provisions/Credits
- *Capital improvements credit:*
  0.75% of amount wagered is deducted from tax liability at tracks making approved construction.
- *Major capital improvements credit:*
  1.0% of amount wagered is deducted from tax liability at tracks making an approved renovation costing $6.0 million or more.

Sections of Ohio Revised Code
Chapter 3769.

Responsibility for Administration
- Tax Commissioner administers tax.
- Racing Commission regulates racing and licensing.

Horse Racing Tax

History of Major Changes

1933 • Enacted.

1953 • Rates reduced.

1955 • Rates increased for thoroughbred racing; separate rate schedule for harness racing and agricultural societies established.

1957 • Ohio Fairs Fund established.

1959 • Rates increased; thoroughbred fund established.

1975 • Flat rate adopted for thoroughbred racing; rates reduced for harness racing; quarter horse and standardbred funds established; tax credit for capital improvements established; racing days increased.

1976 • Quarter horse rates reduced.

1977 • Tax credit for reconstruction of damaged racetracks established.

1979 • Quarter horse rates reduced for a period of four years.

1981 • Thoroughbred and harness racing rates reduced; tax credit for capital improvements increased; additional tax on exotic wagering established.

1984 • Tax rates and brackets for thoroughbred, harness, and quarter horse wagering reduced.
• 1.5% major capital improvements credit with a minimum credit of $10 million enacted.

1989 • Exotic wagering rate increased from 2.5% to 3.0%.

1993 • Major capital improvements tax credit minimum level for eligibility lowered from $10 million to $6.0 million. Credit only applied to projects approved prior to March 29, 1988.

Horse Racing Tax

1994 • Wagering on simulcast events allowed. Required that revenues not going to horse racing funds go to the Passport Program.
- Amount of major capital improvements tax credit reduced from 1.5% to 1.0% of wagering. Credit scheduled to end as of December 31, 2004.

1996 • Ohio Horse Racing Quality Assurance Fund eliminated. Share of gross tax revenues allocated to the Passport Fund at 25%. Wagering on out-of-state simulcast of race tracks allowed.

1999 • Race tracks allowed to apply for a major tax abatement equal to the cost of repairs made to the race track as a result of damage caused by the 1997 Ohio River flood.
- Sunset date of major capital improvements tax credit extended by ten years, from December 31, 2004, to December 31, 2014. Credit limited only to projects approved prior to March 29, 1988.

2001 • Provisions limiting major capital improvements tax credit to projects approved by State Racing Commission prior to March 29, 1988 removed.
- Additional tax of 0.25% on exotic wagering imposed, with revenues to be distributed to the State Racing Commission Operating Fund.
- $2.5 million limit on the amount of money the State Racing Commission Operating Fund may receive in a calendar year from allocations of the horse racing tax removed.

2003 • Two-year temporary additional tax of 0.25% on exotic wagering imposed until June 30, 2005, with revenues distributed to the State Racing Commission Operating Fund. Permanent additional tax of 0.25% on exotic wagering to remain in effect.

2005 • Two-year temporary additional tax of 0.25% on exotic wagering expired as of July 1, 2005.

Horse Racing Tax

Comparisons with Other States (As of 01/06)

Type of Racing	Rate Range
California	
All horse	0.9% – 2.0%
Quarter horse	0.4%
Harness	0.4%
Florida	
Harness	0.5% – 3.3%
Thoroughbred	0.5% – 2.4%
Dog	5.5% – 7.6%
Illinois	
All horse	1.5% of daily pari-mutuel handle (total pari-mutuel wagers)
Indiana	
All horse	2.0% – 2.5%
Kentucky	
All horse	1.5% – 3.5%
Massachusetts	
All horse	4.0% – 11.0%
All dog	4.0% – 11.75%
Michigan	
All horse	3.5%
New York	
All horse	1.5% – 5.0%
Exotic wagering	6.75% – 8.25%
Pennsylvania	
All horse	1.5% – 2.0%
Texas	
All horse and greyhound	1.0% – 5.0% for live events, depending on the betting pool.
All horse and greyhound	1.0% for simulcast pools, regardless of species or amount wagered.

Horse Racing Tax

Comparisons with Other States (As of 01/06)

Type of Racing	Rate Range
West Virginia	
Thoroughbred	0.4% – 1.4%
Harness	3.0% – 5.75%
Dog	4.0% – 8.0%

New Jersey does not have a tax on pari-mutuel wagering.

Individual Income Tax

Taxpayer
Individuals, estates, and trusts residing in Ohio or earning or receiving income in Ohio, including lottery winnings, prizes, or awards; and on every individual, trust, and estate otherwise having nexus with or in this state under the U.S. Constitution; and employers who pay wages and salaries to an Ohio resident.

Tax Base
For individuals, the base is federal adjusted gross income plus or minus adjustments, according to Ohio income tax law. For estates and trusts, the base is federal taxable income plus or minus adjustments, according to Ohio income tax law. There are no personal exemptions allowed to estates, and no exemption credits are allowed to estates and trusts.

Rates (Tax Year 2005)

Ohio Taxable Income	Tax Calculation
0 – $5,000	0.712% of Ohio taxable income
$5,001 – $10,000	$35.60 + 1.424% of excess over $5,000
$10,001 – $15,000	$106.80 + 2.847% of excess over $10,000
$15,001 – $20,000	$249.15 + 3.559% of excess over $15,000
$20,001 – $40,000	$427.10 + 4.270% of excess over $20,000
$40,001 – $80,000	$1,281.10 + 4.983% of excess over $40,000
$80,001 – $100,000	$3274.30 + 5.693% of excess over $80,000
$100,001 – $200,000	$4,412.90 + 6.610% of excess over $100,000
$200,001 – over	$11,022.90 + 7.185% of excess over $200,000

The tax rates for 2006 through 2009 are outlined in Ohio Revised Code section 5747.01(A).

In July of each year, beginning in 2010, the Tax Commissioner shall adjust the income amounts prescribed in this division by multiplying the percentage increase in the gross domestic product deflator computed that year under R.C. 5747.025 by each of the income amounts resulting from the adjustment under this division in the preceding year, adding the resulting product to the corresponding income amount resulting from the adjustment in the preceding year, and rounding the resulting sum to the nearest multiple of $50. The Tax Commissioner also shall recompute each of the tax dollar amounts to the extent necessary to reflect the adjustment of the income amounts. The rates of taxation shall not be adjusted.

Individual Income Tax

Major Exemptions
See **Special Provisions/Credits**.

Revenue (In Millions)

Fiscal Year	General Rev. Fund	Local and Library Funds	Other*	Total
2001	$7,263.4	$852.5	$3.4	$8,119.3
2002	7,304.2	848.7	4.2	8,157.1
2003	7,420.7	829.8	6.0	8,256.5
2004	7,696.9	829.7	4.6	8,531.2
2005	8,598.9	829.3	6.3	9,434.5

Note: **Includes Political Party Fund and Attorney General Claims Fund.*

Disposition of Revenue
After making any required deposits in the Attorney General Claims Fund, 89.5% of remaining revenue is deposited in the General Revenue Fund, 5.7% is deposited in the Library and Local Government Support Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund. The Political Party Fund received a transfer from the General Revenue Fund equal to the amount calculated from the check-off on the income tax return.

Local government fund distributions have been frozen since Fiscal Year 2002. In 2002 and 2003, the three local government funds each received the same amount of individual income tax revenue as they received in FY 2001. The remaining revenue was deposited in the General Revenue Fund. However, if the total amount deposited in the local funds from all selected tax revenue sources during a designated semi-annual period exceeded the amount that would have been deposited had the statutory percentages been in effect, such excess was transferred from the local funds to the General Revenue Fund.

This freeze on local government funds was continued in Ohio's biennium budget for fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. During these fiscal years, each of the three local government funds will receive the same amount of revenue received during fiscal years 2002 and 2003.

Individual Income Tax

The Ohio Constitution requires that at least 50% of income tax collections be returned to the county of origin. This obligation is met primarily through General Revenue Fund allocations to education and local property tax relief.

Payment Dates

For individuals, trusts and estates:
Generally, the annual return is due on or before April 15. The return reconciles tax liability with amount remitted through withholding by employers and quarterly estimated payments by taxpayers.

Taxpayers file quarterly declarations if they expect to owe more than $500. After withholding, such taxpayers must file an estimated return and make quarterly payments on or before April 15, June 15, and September 15 of the current year and January 15 of the next year.

For employers:
Employers remit tax from several times a week to quarterly, depending on the amount of state income tax withheld.

Special Provisions/Credits

Standard Personal Exemption and Credit:
Personal exemptions for tax year 2005 were $1,350 per person. This amount is indexed for inflation each year. A credit against tax due of $20 per each personal exemption is allowed.

Joint Filer Credit:
A husband and wife who file a joint return are allowed a tax credit if each had at least $500 of income exclusive of interest, dividends and distributions, royalties, rents, capital gains, and state or municipal income tax refunds that are included in Ohio adjusted gross income. The maximum credit is $650. The credit is a percentage of the tax after all other credits (except the resident/nonresident and nonrefundable business credits) as shown below:

Ohio Taxable Income	Amount of Credit
$25,000 or less	20% of tax
$25,001 to $50,000	15% of tax
$50,001 to $75,000	10% of tax
$75,001 and over	5.0% of tax

Individual Income Tax

Senior Citizen Credit:
A taxpayer 65 years of age or older during the taxable year receives a $50 credit against the amount of Ohio income tax due. Only one credit is allowed for each return.

Retirement Income Credit:
Taxpayers receiving retirement income that is included in Ohio adjusted gross income are allowed a credit based on the amount of retirement income received during the taxable year according to the following schedule:

Amount of Retirement Income Received During the Taxable Year	Credit
$ 500 or less	$0
Over $500 but not more than $1,500	$25
Over $1,500 but not more than $3,000	$50
Over $3,000 but not more than $5,000	$80
Over $5,000 but not more than $8,000	$130
Over $8,000	$200

Military Pay:
Military pay is taxable (except combat zone pay) if the individual is domiciled in Ohio (is a resident of the state, according to the state of legal residence/home of record entered in their military personnel record). Service personnel are not required to pay the Ohio income tax on military pay, even though stationed in Ohio, if they are domiciled in a state other than Ohio. They must deduct the military pay on line 37 and line 48 of Ohio schedule A and enter it on line 2 on the front of the IT-1040 return. Various exclusions and extensions are in effect for pay earned in a combat zone. Ohio residents serving in the National Guard or Reserves and called to active duty are eligible for filing and payment extensions.

Reciprocity:
An individual who is a full-year resident of any of the five states bordering Ohio and whose income from inside Ohio consists solely of wages, salaries, tips, or commissions need only file with their state of residence. Exception: this rule does not apply if the individual owns, directly or indirectly, at least 20% of a pass-through entity having nexus inside Ohio.

Individual Income Tax

Nonresident/Part-Year Resident Income Credits:
Taxpayers who are nonresidents or part-year residents of Ohio and earn income while living in another state, or have income taxed by another state, receive a credit for that portion of income.

Child and Dependent Care Credit:
Taxpayers with Ohio adjusted gross income between $20,000 and $40,000 who are eligible for the federal child care credit may claim 25% of that credit as a state child care credit. For taxpayers with incomes below $20,000, the credit is 100% of the federal credit.

Job Training Credit:
Taxpayers may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of position or shift. The credit is the lesser of $500 or 50% of the training costs.

Political Contribution Credit:
Taxpayers may claim an individual income tax credit for contributions made to the campaign committee of candidates for statewide elected offices or the General Assembly. The amount of the credit is equal to the lesser of the combined total contributions made during the taxable year or $50 per individual return and $100 per joint return.

Adoption Credit:
Taxpayers with adoption expenses, except for the adoption of a stepchild, may claim a nonrefundable credit up to $500.

Nonresident /Part-Year Resident Credit for Individuals and Estates:
The computation of this credit has changed; a market-theory approach is implemented for sales other than inventory sales of tangible personal property and real estate. The credit applies to income not earned or received in Ohio.

Credit for Ohio Taxable Income Totaling $10,000 or less:
For taxable years beginning in 2005 or thereafter, a credit is allowed for an individual taxpayer whose Ohio adjusted gross income less exemptions is $10,000 or less. The credit is equal to the amount of tax owed for each year as shown on the following page:

Individual Income Tax

2005	$107.00
2006	102.00
2007	98.00
2008	93.00
2009	88.00

Computation of Tax:
Major adjustments to federal adjusted gross income and computation of Ohio income tax liability for individuals are shown in the following diagram (computation is for taxable year 2005).

Federal Adjusted Gross Income (FAGI)

Add*

1. State and local bond interest (except Ohio and its political subdivisions).
2. Reimbursement of college tuition expenses and fees deducted in a previous year.
3. Losses from sale of Ohio public obligations.
4. Nonmedical withdrawals from medical savings accounts.
5. Noneducation expenditures from a college savings account.

Subtract*

1. Federal bond interest to the extent included in FAGI.
2. Disability and survivor's benefits to to the extent included in FAGI.
3. Compensation earned in Ohio by residents of reciprocity states.
4. Social security and railroad retirement benefits to the extent included in FAGI.
5. State and municipal income tax refunds to the extent included in FAGI.
6. Qualified expenses for long-term care insurance, medical insurance, and and medical expenses in excess of 7.5% of FAGI.
7. Gains from sale of Ohio public obligations to the extent included in FAGI.
8. Nonresident military income for those taxpayers with a domicile other than Ohio.

Note: **This represents only a partial list of additions/deductions.*

Apply above to determine: (see following page)

Individual Income Tax

Ohio Adjusted Gross Income

Subtract

Personal Exemptions of $1,350 each.

Ohio Taxable Income

Apply

Graduated rates of .00712% to .07185% for 2005 (see **Rates** section).

Tax Before Credits

Subtract

1. Personal exemption credit of $20 per person.
2. Senior citizen credit of $50.
3. Credit for taxable income of $10,000 and less.
4. Retirement income credit.
5. Child and dependent care credit.
6. Job training credit.
7. Political contribution credit.
8. Adoption credit.
9. Joint filer credit for two working spouses (graduated based on income with a maximum credit of $650).
10. Lump sum distribution and lump sum retirement income credits.
11. Various business credits.

Ohio Individual Income Tax Liability

Subtract

Credit for income earned in or taxed by another state.

Ohio Net Individual Income Tax Liability

Sections of Ohio Revised Code

Chapter 5747.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1912 • Constitutional amendment permitted income taxes.

1971 • Individual income tax enacted, effective for 1972.

Individual Income Tax

1972 • Up to $4,000 of retirement benefits exempted from adjusted gross income.
• Tax credit of $25 per return for taxpayers over 65 years of age enacted.

1973 • Joint filer credit allowed on joint returns where both spouses earn at least $500 of wage income.

1974 • $3,000 personal exemption limitation removed.

1975 • Value of each exemption increased from $500 to $650.

1978 • Income tax credit created for home improvements.

1979 • Income tax credit enacted for installation of a solar, wind, or hydrothermal energy system (expired after tax year 1985).

1982 • Two new income tax brackets added above $80,000 of taxable income for 1982 and 1983.
• Temporary tax rate surcharge from 1981 tax rates of 25% for tax year 1982 and 12.5% for tax year 1983 enacted.

1983 • Two new brackets, enacted 1982, made permanent.
• Provisions enacted allowing a taxpayer to claim for each $650 personal exemption an additional $350 exemption or $20 credit.
• Temporary tax rate surcharge increased to 83.3% in 1983 and to 90% in 1984 and made permanent.
• Tax credit for taxpayers over 65 years of age increased to $50.
• Joint filer credit increased over two years.
• $4,000 retirement income deduction replaced by a sliding scale retirement income credit.

1984 • One-time special tax refund of 2.03% of tax year 1983 liability (minimum of $7) enacted.
• Title II social security and Tier I railroad retirement benefits exempt from taxation.

1985 • Rates reduced from 1984 level by 5.0% for 1985,

Individual Income Tax

an additional 5.0% for 1986, and an additional 5.0% (total of 15%) for 1987 and thereafter.

1986 • Maximum rate reduced to 6.9%; other rates reduced by 7.0% in1987 and 8.0% in 1988 from rates enacted in 1985.

1987 • Home improvement credit repealed.

1988 • Income tax check-off for qualified political parties established.
• Child care credit implemented.

1989 • Accelerated employer withholding schedule implemented.
• Tier II railroad retirement benefits exempted.
• $20 personal exemption allowed for all taxpayers.
• Additional $350 exemption eliminated.
• Joint filer credit capped at $650.

1990 • Basis of the joint filer credit changed to Ohio adjusted gross income.

1991 • Child care credit expanded beginning in 1993.

1992 • Ninth income bracket above $200,000 added to be taxed at 7.5% and to begin in 1993.
• Job creation credit enacted.
• Export credit enacted.

1993 • Self-employed health care premiums made deductible.

1994 • Displaced worker training credit enacted.
• Investment tax credit enacted.

1995 • Second investment tax credit enacted.
• Personal exemption increased to $750 per taxpayer and spouse and $850 per dependent for 1996; these amounts increased to $850 and $1,050 in 1997.
• Political contribution credit enacted.

Individual Income Tax

1996
- Statutory tax rates for 1996 temporarily reduced by 6.609% because of budget surplus. The surplus funds were deposited into the Income Tax Reduction Fund (ITRF) and used to offset revenue reductions resulting from reduced taxes.
- Personal exemption for taxpayer and spouse increased to $950 in 1998 and $1,050 in 1999.
- Statutory tax rates for 1997 temporarily reduced by 3.987% because of budget surplus.

1997
- Child care credit for taxpayers with under $20,000 income increased to 100% of federal credit.
- Employer credits for providing or subsidizing child care enacted.
- Exemptions indexed for inflation beginning in 2000.
- Tax on payments to certain nonresident shareholders of pass-through entities required to be withheld at source.

1998
- Statutory tax rates for 1998 temporarily reduced by 9.339% because of budget surplus.

1999
- Statutory tax rates for 1999 temporarily reduced by 3.627% because of budget surplus.
- Deduction for medical expenses in excess of 7.5% of FAGI enacted.
- Deduction for taxpayers ineligible for employer provided medical plans enacted.
- Deduction for long-term care insurance premiums enacted.
- Credit (nonrefundable) for adoption-related expenses enacted.
- Beginning 2001, tuition expense deduction for first two years of post-secondary education enacted.

2000
- Statutory tax rates for 2000 temporarily reduced by 6.929% because of budget surplus.
- Deduction for contributions to the prepaid tuition and variable market tuition program enacted.
- Addition for income from an Electing Small Business Trust (ESBT) that also meets the definition of a grantor trust required.

Individual Income Tax

2002
- Trusts subjected to income tax for the period June 4, 2002-December 31, 2004.
- Bonus depreciation adjustment enacted.

2003
- Internal Revenue Code (I.R.C.) section 179 depreciation adjustment became effective.
- Research and development loan repayment credit enacted.
- Credit granted for losses on loans made to Ohio Venture Capital Program.
- Computation changed of nonresident/part-year resident credit for individuals and estates; market-theory approach implemented for sales other than inventory sales of tangible personal property and real estate.
- Pre-need funeral trusts that are not-qualified funeral trusts exempted.
- Net operating loss carry backs and carry forwards subjected to bonus depreciation adjustment and I.R.C. section 179 depreciation.
- Apportionment of trust income changed to include cost of performance in sales factor and exclude business rental income from property factor.

2005
- Statutory tax rate reduction of 4.2% from 2004 rates.
- Credit granted for low-income taxpayers equal to total liability for those whose adjusted gross income is $10,000 or less.

Individual Income Tax

Comparisons with Other States (As of 04/06)

State/Rate*(1)*	Personal Exemptions*(1)* Single	Married/ Joint	Dependent
California*(2)*			
1.0% tax on the first $6,319 of taxable income, up to 9.3% on portion of income over $41,477; an additional 1.0% tax is imposed on net incomes in excess of $1.0 million. The state also has tax tables, standard deductions, and personal exemption credits*(2)*, all indexed for inflation.			
Florida	No income tax.		
Illinois*(3)*	$2,000	$4,000	$2,000
3.0% on taxable net income.			
Indiana*(3)*	$1,000	$2,000	$1,000
3.4% on adjusted gross income.			
Kentucky*(3)(4)*			
2.0% on first $3,000 of taxable income, up to 6.0% on portion of income over $75,000.			
Massachusetts*(3)*	$3,575	$7,150	$1,000
5.3% on all business income, earned income, annuities, long term capital gains, interest, and dividends. Capital gains on collectibles and assets held less than one year are taxed at 12.0%.			
Michigan*(3)*	$3,100	$6,200	$3,100
3.9% on taxable income.			

Notes: *(1)The tax rate and exemptions are for tax year 2006 unless otherwise noted. For states with multiple schedules, the rate for single filers is listed. (2)California credits for tax year 2006 are $87 for single, married filing separately, and for head of household; $174 for married filing jointly or surviving spouse; and $272 per dependent. (3)States with only one tax schedule. (4)Kentucky allows income tax credits to be subtracted directly from tax liability. The credits are $20 for single, $40 for joint, and $20 per dependent.*

Individual Income Tax

Comparisons with Other States (As of 04/06)

State/Rate*(1)*	Personal Exemptions*(1)* Single	Married/ Joint	Dependent
New Jersey	$1,000	$2,000	$1,500
1.4% on first $20,000 of taxable income, up to 8.970% on portion of income over $500,000.			
New York	0	0	$1,000
4.0% on first $8,000 of taxable income for unmarried individuals and married filing separately, up to 6.85% on portion of income over $500,000.			
Pennsylvania*(3)*		No exemptions.	
3.07% on taxable income.			
Texas		No income tax.	
West Virginia	$2,000	$4,000	$2,000
3.0% on first $10,000 of taxable income, up to 6.5% on portion of income over $60,000.			

Notes: *(1)The tax rate and exemptions are for tax year 2006 unless otherwise noted. For states with multiple schedules, the rate for single filers is listed. (2)California credits for tax year 2006 are $87 for single, married filing separately, and for head of household; $174 for married filing jointly or surviving spouse; and $272 per dependent. (3)States with only one tax schedule. (4)Kentucky allows income tax credits to be subtracted directly from tax liability. The credits are $20 for single, $40 for joint, and $20 per dependent.*

Insurance Tax – Domestic

Taxpayer
Insurance companies organized under Ohio law.

Tax Base
Gross amount of premiums from policies for Ohio risks by insurance companies organized under Ohio law.

Rates
- 1.4% of gross premiums.
- The minimum tax is $250.

Major Exemptions
Annuities, deposit-type life insurance contract funds, Medicaid, government-paid portion of Medicare, and federal crop insurance.

Revenue (In Millions)

Fiscal Year	General Revenue Fund
2001	$109.3
2002	132.5
2003	160.3
2004	166.1
2005	171.4

Disposition of Revenue
- Revenue from additional 0.75% tax on fire insurance to the Fire Marshal Fund (see **Special Provisions**).
- Remainder to the General Revenue Fund.

Payment Dates
The Director of the Ohio Department of Insurance certifies the tax liability of each insurance company to the Ohio Treasurer of State by the first Monday of May. Within 20 days, the Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill is mailed.

Note: *Tax year is defined as the year in which the tax returns are due. Tax liabilities are based upon the previous year's business activity.*

Special Provisions/Credits
A tax credit for insurer groups with less than $75 million in total country wide premiums was phased-in from tax year 1999

Insurance Tax - Domestic

to 2003, resulting in a maximum credit of $200,000 in tax year 2003 and beyond.

Members of the Ohio Life and Health Guaranty Association are subject to assessment by the association. (The association is organized not-for-profit under the Ohio Revised Code and is operated by a board of directors. Insurance companies are required to be members as a condition of transacting business in the state.) Should a member become impaired or insolvent, the other members are assessed at a rate not to exceed 2.0% of their gross premiums to protect policy holders of the impaired or insolvent insurers. A 100% tax credit is given to members equal to assessments paid to the association.

Domestic insurers that are health insurance corporations are taxed at the rate of 1.0% of all premium payments, exclusive of payments received for Medicaid and the government-paid portion of Medicare.

An additional 0.75% tax is levied on the gross premiums derived from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other coverages.

Sections of Ohio Revised Code
Sections 5725.18 to 5725.24, 5725.31, 5725.32, 5729.031 and 3737.71.

Responsibility for Administration
Director, Ohio Department of Insurance.

History of Major Changes
1830 • 4.0% property tax on dividends paid by insurance companies.

1852 • Insurance companies required to list real property, tangible property, money, and credits for taxation.

1933 • Changed to a franchise tax on the smaller of either: 0.2% of capital and surplus, or 1.67% on premiums.

1971 • Franchise tax rate changed to the smaller of either: 0.3% of capital and surplus, or 2.5% on gross premiums.

Insurance Tax - Domestic

1981 • Capital and surplus rate increased to 0.6%.

1989 • Established the Ohio Life and Health Guaranty Association and assessment; 100% tax credit for assessment paid by participating insurers.

1997 • Rate for domestic insurers reduced to 1.4% and phased-in over tax years 1999 to 2002. Minimum tax of $250 (increased from $200) established beginning in 2003.
- Tax credit for insurer groups with less than $75 million in country-wide premiums phased-in from tax year 1999 to 2002. The threshold was $50 million prior to July 1, 1999.
- Capital and surplus tax base phased-out over tax years 1999 through 2002. Beginning with tax year 2003, tax based solely on gross premiums.

Comparisons with Other States (As of 04/06)

State	**Tax Rate***(1)*
California	In general, 2.35% of gross premiums; federally exempt pensions and profit-sharing plans, 0.5%; surplus line brokers and non-admitted insurance, 3.0%.
Florida	Annuities 1.0%*(2)*; wet marine and transportation, 0.75%; assessable mutual insurers, 1.6%; all others, 1.75% of gross premiums. Fire marshal assessment is 1.0%; surplus lines tax is 5.0%.
Illinois	0.5% of net premiums written in the state, except 0.4% for health maintenance organizations; surplus lines, 3.5% of gross premiums.

Notes: *(1)Other rates may apply to specific types of insurance and insurance providers. (2)Domestic insurers maintaining their home office in Florida are exempt. (3)Insurance companies also pay New York corporate franchise tax.*

Insurance Tax - Domestic

Comparisons with Other States (As of 04/06)

State	Tax Rate*(1)*
Indiana	Premiums taxed at 1.3%, or companies may elect to pay the gross income tax; fire insurance, 0.5% of gross premiums received from Indiana-based policies.
Kentucky	In general, 2.0% of gross premiums. Fire insurers pay an additional surtax of 0.75% of premiums.
Massachusetts	2.0% of taxable gross premiums, plus a surtax of 14% of the tax imposed.
Michigan	Single-business tax of 1.9%, plus 1.26% surcharge of taxpayers' liability.
New Jersey	In general, 1.05% of gross premiums on group accident and health; all others, 2.1%. Surplus lines are taxed at 3.0%.
New York	1.75% for all premiums on accident and health contracts; 2.0% on other non-life insurance premiums.*(3)*
Pennsylvania	2.0% of gross premiums; surplus line insurers, 3.0%.
Texas	Rates of 1.35% to 4.85%, depending on insurance product lines.
West Virginia	Rates of 2.0% to 4.0%, depending on insurance product lines. Additional surtax of 0.5% on fire policies, except farmers' fire mutual policies.

Notes: *(1)Other rates may apply to specific types of insurance and insurance providers. (2)Domestic insurers maintaining their home office in Florida are exempt. (3)Insurance companies also pay New York corporate franchise tax.*

Insurance Tax – Foreign

Taxpayer
Insurance companies not organized under Ohio law (i.e., located out of state).

Tax Base
Gross amount of premiums from policies for Ohio risks during preceding calendar year less specified deductions.

Rates
- The rate for foreign insurers is 1.4%.
- The minimum tax is $250.

Major Exemptions
Annuities, deposit-type life insurance contract funds, Medicaid, government-paid portion of Medicare, and federal crop insurance.

Revenue (In Millions)

Fiscal Year	General Revenue Fund	Other*	Total
2001	$220.6	$11.7	$232.3
2002	214.3	15.9	230.2
2003	216.4	17.4	233.8
2004	230.5	22.3	252.8
2005	242.9	21.1	264.0

Note: **Includes Fire Marshal Fund and Attorney General Claims Fund.*

Disposition of Revenue
- Revenue from additional 0.75% tax on fire insurance to the Fire Marshal Fund (see **Special Provisions**).
- Remainder to the General Revenue Fund.

Payment Dates
- October 15: Advance payment of 1/2 of previous year's tax before credits.
- March 1: Payment of balance of taxes for current tax year.
- June 15: Final payment or refund.

Note: *Tax year is the year in which the payments are filed. Payments are based upon the previous year's business activity.*

Insurance Tax - Foreign

Special Provisions/Credits
A tax credit for insurer groups with less than $75 million in total country wide premiums was phased-in from tax year 1999 to 2003, with a maximum credit of $200,000 as of 2003.

An additional 0.75% tax is levied on the gross premiums derived from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other coverages.

Foreign insurers that are health insurance corporations are taxed at the rate of 1.0% of all premium payments, excluding payments received under Medicaid and the government-paid portion of Medicare.

Foreign insurers are subject to retaliatory provisions in all states; meaning taxes or fees imposed by one state or nation on an insurance company of any state doing business in that location are also imposed on that state or nation's companies doing business in the other state.

Sections of Ohio Revised Code
Chapter 5729 and section 3737.71.

Responsibility for Administration
Director, Ohio Department of Insurance.

History of Major Changes
1830 • 4.0% tax on profits from premiums (minimum tax of $50).

1852 • Value of gross premiums subject to property tax.

1888 • Supplemental tax on gross premiums that, when added to the property tax, would equal 2.5% of gross premiums.

1902 • Direct 2.5% tax on gross premiums.

1997 • Tax rate for foreign insurers established at 1.4% for tax year 2003 and thereafter (decreased from 1.62% in 2002). A minimum tax of $250 established for tax year 2003 and

thereafter (minimum in 2002 was $200).
- Tax credit for insurer groups with less than $75 million in country wide premiums was phased-in from tax year 1999 to 2003. Prior to July 1, 1999, the threshold was $50 million.

Comparisons with Other States (As of 04/06)

State	Tax Rate*
Florida	Foreign insurers, other than those maintaining a regional office in Florida, are subject to retaliatory provisions.
Illinois	Foreign insurers are subject to retaliatory provisions if home state (state in which foreign insurer is incorporated) rates are higher than Illinois.
Kentucky	Foreign insurers pay 2.0% of premiums received.
Massachusetts	Foreign insurers pay 2.0% plus surtax of 14% of the tax imposed. Foreign insurers are also subject to retaliatory provisions, but the 14% surtax does not apply to those retaliatory provisions.
Michigan	Foreign insurers are subject to retaliatory provisions and pay the greater of the retaliatory tax or the single business tax of 1.9%.

Note: **In general, the retaliatory tax rate imposed is either the domestic rate of the state taxing the foreign insurer, or the rate of the state in which the foreign insurer is incorporated, whichever is greater.*

Insurance Tax - Foreign

Comparisons with Other States (As of 04/06)

State	Tax Rate*
New Jersey	Foreign insurers are subject to retaliatory provisions if home state (state in which foreign insurer is incorporated) rates are higher than New Jersey. There is also a 3.0% gross premiums tax on every unauthorized foreign alien insurer.
Pennsylvania	Foreign insurers are subject to retaliatory provisions. Title insurance policies issued by a foreign insurer are subject to a gross premiums tax.
Texas	Foreign insurers are subject to retaliatory provisions. Reciprocal insurers that do not elect to be taxed under provisions applicable to title, life, and accident and health insurers are taxed at 1.7% of gross premiums.

In virtually all states, including **California, Indiana, New York,** and **West Virginia,** foreign insurers are subject to retaliatory provisions.

Note: **In general, the retaliatory tax rate imposed is either the domestic rate of the state taxing the foreign insurer, or the rate of the state in which the foreign insurer is incorporated, whichever is greater.*

Kilowatt-Hour Tax

The kilowatt-hour tax was enacted by Amended Substitute Senate Bill 3 (123rd General Assembly) as part of electric utility deregulation. Effective May 1, 2001, this tax replaced the public utility excise tax on electric companies and the tax losses from reduction in electric utility personal property tax assessment rates.

Taxpayer
- Electric distribution companies.
- End users that self-assess.

Tax Base
The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours distributed to end users in Ohio.
- For end users at or below 45 million kilowatt hours in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- For end users above 45 million kilowatt hours in annual consumption, who opt to self-assess, the base is both the amount of kilowatt hours distributed to them per month and the total price.

Rates
1. Electric distribution companies pay at rates based on the monthly consumption by end users, using the following schedule:

Monthly Kilowatt Hours Distributed to the End User		Rate Per Kilowatt Hour
0 – 2,000	kilowatt hours	$0.00465
2,001 – 15,000	kilowatt hours	0.00419
Over 15,001	kilowatt hours	0.00363

2. For consumers (end users) above 45 million kilowatt hours in annual consumption, there is an option to self-assess the tax. This self-assessor tax is calculated as the sum of 4.0% of price plus $0.00075 on the first 504 million kilowatt hours of annual consumption.

Major Exemptions
- Federal government.
- End users located at a federal facility.
- Qualified end users.
- Qualified regeneration facilities.

Kilowatt-Hour Tax

Revenue (In Millions)

Fiscal Year	State Gen. Rev. Fund	School District Prop. Tax Repl. Fund	Local Gov't. Prop. Tax Repl. Fund	Total
2001*(1)*	$24.0*(2)*	$9.8	$4.2	$38.0
2002	323.3*(3)*	132.7	57.2	513.2
2003	339.9*(3)*	137.0	62.6	539.5
2004	339.0*(3)*	136.7	62.4	538.1
2005	339.8*(3)*	137.0	62.6	539.4

Notes: *(1)Reflects only one month of revenue. (2)Fiscal Year 2001 revenue includes the following: $22.8 million to the General Revenue Fund, $1.0 million to the Local Government Fund, and $0.2 million to the Local Government Revenue Assistance Fund. (3)All state revenue payments were made to the General Revenue Fund.*

Disposition of Revenue

The General Revenue Fund receives 59.976%, School District Property Tax Replacement Fund receives 25.4%, Local Government Fund receives 2.646%, Local Government Property Tax Replacement Fund receives 11.6%, and the Local Government Revenue Assistance Fund receives 0.378% of kilowatt-hour tax revenue. A fee of $500 is levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

However, for fiscal years 2002 and 2003, there were no distributions to the Local Government Fund and Local Government Revenue Assistance Fund due to a freeze on those funds. The General Revenue Fund received 63% of revenue in those two fiscal years. This freeze on local government funds was continued in Ohio's biennium budget for fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. See **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of the deposits into the local government funds.

Payment Date

The 20th day of each month for both electric distribution companies and end users that self-assess. Payment is based on the amount of electricity distributed to end users during the preceding month.

Kilowatt-Hour Tax

Special Provisions/Credits
Revenues received by municipal electric companies from customers within their municipal boundaries are retained by that municipality.

Sections of Ohio Revised Code
Chapter 5727.

Responsibility for Administration
Tax Commissioner.

History of Major Changes
1999 • Enacted with an effective date of May 1, 2001.

2000 • Lowered the self-assessor tax threshold from 120 million kilowatt hours of annual consumption to 45 million kilowatt hours.
- Capped the consumption portion of the self-assessor tax formula at 504 million kilowatt hours of annual consumption.
- Provided that "qualified end users" will remit the tax (either kilowatt-hour or self-assessor option if so qualified) on the non-qualified portion of their electric consumption.
- Provided for an exemption for "qualified regeneration" facilities.
- Allowed businesses to declare that they will have enough electricity consumption in the upcoming year so they may self-assess. Provided for a "recapture" tax if the taxpayer fails to meet the self-assessor threshold.
- If a self-assessor is served by a municipal electric company and is within the municipal boundary, required the taxpayer to remit the self-assessor tax to the municipality.
- Clarified rules pertaining to self-assessors.

2002 • Effective June 2, 2002, the School District Property Tax Replacement Fund's share was reduced from 25.9% to 25.4% and the Local Government Property Tax Replacement Fund's share was increased from 11.1% to 11.6%.

2003 • Effective July 1, 2003, no revenue from the tax through

Kilowatt-Hour Tax

June 30, 2005 credited to the Local Government Fund or the Local Government Revenue Assistance Fund. Such amounts will be credited to the General Revenue Fund.

2005 • The changes effective July 1, 2003 through June 30, 2005 were extended through June 30, 2008.

Comparisons with Other States (As of 04/06)

California
$0.00022 per kilowatt hour of electricity consumed.

Illinois
End users pay on a declining cents-per-kilowatt-hour basis, ranging from $0.00202 to $0.0033 on consumption for delivery suppliers, or 5.1% of the purchase price for self-assessors. Distributors pay on an increasing cents-per-kilowatt-hour basis ranging from $0.00031 to $0.00131 on kilowatt hours distributed.

New Jersey
Electric companies pay a tax on kilowatt hours sold to New Jersey consumers based on rates established by the Board of Public Utilities. The tax is scheduled to be phased-out by 2010.

Pennsylvania
Total rate of 5.9% on gross receipts is composed of a 4.4% base levy (see **Comparisons with Other States** in **Public Utility Excise Tax**) and a 1.5% revenue reconciliation tax.

West Virginia
General rate variable, depending on whether power used was generated in-state ($0.0005 per kilowatt-hour used) or outside the state ($0.0019 per kilowatt-hour used).

Florida, Indiana, Kentucky, Massachusetts, and **Michigan**
Electric companies may be subject to general business taxes.

New York and **Texas**
Each state has a specific consumption-based tax on electricity.

Motor Vehicle Fuel Tax

Taxpayer
Dealers (wholesalers and refiners) who distribute fuel in Ohio.

Tax Base
Gallons of gasoline, diesel fuel, and special fuels sold in Ohio.

Rate
Effective July 1, 2005, increased to 28 cents per gallon (from 26 cents per gallon).

The total tax rate in effect beginning July 1, 2005 includes one levy of eight cents per gallon (increased from six cents effective July 1, 2005); two levies of two cents each; one levy of one cent; and a cents per gallon rate of 15 cents.

Major Exemptions
Refunds, credits, and deductions apply to the following:
- Purchasers who did not use the fuel to operate a vehicle on a highway or waterway in Ohio.
- Distributors and retailers for fuel lost through shrinkage, evaporation, and leakage.
- Local transit authorities for all but one cent per gallon on fuel consumed in transit buses.
- School districts, joint vocational schools, and educational service centers on the tax over 22 cents per gallon.

Revenue (In Millions)

Fiscal Year	Total
2001	$1,307.3
2002	1,383.3
2003	1,456.1
2004	1,536.9
2005	1,667.3

Disposition of Revenue
The following items receive the revenue first:
- Monthly $100,000 allocation to the Grade Crossing Fund.
- Monthly distribution to the Ohio Turnpike Commission equal to five cents on each gallon of fuel sold at stations operated by the commission.

Motor Vehicle Fuel Tax

After the above transfers, 0.875% of revenue is allocated to the Waterways Safety Fund, 0.125% to the Wildlife Boater-Angler Fund, and 0.275% to the Motor Fuel Tax Administrative Fund.

Of the remaining revenue, the equivalent of one cent of the 15 cents per gallon rate is allocated to the Local Transportation Improvement Program Fund.

Once all other distributions have been made, the balance is distributed, in general, as follows:
- 71.8% to the State of Ohio;
- 12.1% to municipal corporations;
- 10.5% to counties; and
- 5.6% to townships.

Payment Date
By the last day of each month for the preceding month's tax liability.

Special Provisions/Credits
The current 15 cents per gallon tax levy was enacted at a variable rate, based on the consumer price index and net gallons of taxable fuel in each of the two years previous to the year of the rate calculation. Effective July 1, 1993, the rate was calculated to be 15 cents per gallon, and the variable rate formula lapsed thereafter.

Sections of Ohio Revised Code
Chapter 5735.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

Year	Change	Total Tax After Change
1925	• 2.0 cents per gallon tax enacted.	2.0 cents
1927	• 1.0 cent per gallon increase.	3.0 cents
1929	• 1.0 cent per gallon increase.	4.0 cents
1933	• 1.0 cent per gallon reduction.	3.0 cents
1947	• 1.0 cent per gallon increase.	4.0 cents
1953	• 1.0 cent per gallon increase.	5.0 cents
1959	• 2.0 cents per gallon increase.	7.0 cents
1981	• 3.3 cents per gallon increase.	10.3 cents

Motor Vehicle Fuel Tax

Year	Change	Total Tax After Change
1982	• 1.4 cents per gallon increase.	11.7 cents
1983	• 0.3 cent per gallon increase.	12.0 cents
1987	• 2.7 cents per gallon increase.	14.7 cents
1988	• 0.1 cent per gallon increase.	14.8 cents
1989	• 3.2 cents per gallon increase.	18.0 cents
1990	• 2.0 cents per gallon increase.	20.0 cents
1991	• 1.0 cent per gallon increase.	21.0 cents
1993	• 1.0 cent per gallon increase.	22.0 cents
2003	• 2.0 cents per gallon increase.	24.0 cents
2004	• 2.0 cents per gallon increase.	26.0 cents
2005	• 2.0 cents per gallon increase.	28.0 cents

Comparisons with Other States (As of 04/06)
(Motor vehicle fuel tax rates shown in the table on the following page do not reflect the application of a state sales tax - where applicable - or local permissive variable motor vehicle fuel taxes.)

Sources: Commerce Clearing House, International Fuel Tax Administration, and Federation of Tax Administrators. All rates as of January 1, 2006.

Motor Vehicle Fuel Tax

State	Tax Rate (cents per gallon) Gasoline	Diesel Fuel	Sales Tax Applicable
California*(1)*	18.00	18.00	Yes
Florida*(2)*	24.90	27.90	Yes
Illinois*(3)*	20.10	22.60	Yes
Indiana*(4)*	18.00	16.00	Yes
Kentucky *(5)*	18.50	15.50	No
Massachusetts	21.00	21.00	No
Michigan*(6)*	19.00	15.00	Yes
New Jersey*(7)*	14.50	17.50	No
New York*(8)*	23.90	22.15	Yes
Pennsylvania*(9)*	31.20	38.10	No
Texas	20.00	20.00	No
West Virginia*(10)*	27.00	27.00	Yes

Notes: *(1)Sales tax rate on the sale of gasoline is 7.25%. (2)Total rate shown composed of: state taxes of 14.9 cents and state comprehensive enhanced transportation system (SCETS) tax, and minimum local option taxes. Sales tax rate on the sale of gasoline is 6.0%. (3)Sales tax rate on the sale of gasoline is 6.25%. The following local motor fuel tax rates have not been included in the gasoline rate for comparison: Chicago, 5.0 cents, and Cook County, 6.0 cents. (4)Sales tax rate on the sale of gasoline is 6.0%. (5)Tax rate is based on the average wholesale price and is adjusted quarterly; the actual rate is 9.0%. Carriers pay an additional 2.0% surcharge. (6)Sales tax rate on the sale of gasoline is 6.0%. (7)Rate includes a 4.0 cents per gallon petroleum products excise tax levied on the sale of gasoline and diesel fuel. (8)Rate for gasoline and diesel fuel includes an embedded 8.0 cents per gallon excise tax and the petroleum business excise tax. Sales tax rate on the sale of gasoline is 4.0%. (9)The gasoline and diesel fuel tax rates include a permanent 12.0 cents per gallon excise tax and a variable oil company franchise tax, the rate of which is set by January 1 of each year. (10)Sales tax rate on the sale of gasoline is 6.5%.*

Motor Vehicle Fuel Use Tax

Taxpayer
Fuel use tax permit holders.

Tax Base
Fuel used on Ohio highways by tractor-trailer combinations, trucks with three axles or more, and two-axle trucks pulling a trailer with a gross vehicle weight over 26,000 pounds. Taxpayers must pay tax on the amount by which the fuel consumed in Ohio exceeds the fuel purchased in Ohio.

Rate
The total rate is 28 cents per gallon as of July 1, 2005. This is the same total rate in effect the previous fiscal year, but effective July 1, 2005, the base rate increased to 28 cents from 26 cents and a two-cent surtax was eliminated.

Major Exemptions
Vehicles owned and operated by the federal government, the State of Ohio, and Ohio's political subdivisions.

Revenue (In Millions)

Fiscal Year	Total
2001	$75.3
2002	69.4
2003	71.4
2004	72.3
2005	70.5

Disposition of Revenue
Highway bond retirement funds for as long as needed and then to the Highway Operating Fund.

Payment Dates
Reports and payments are filed quarterly by January 31, April 30, July 31, and October 31 for the liability for the previous three months, or annually by July 31 for the liability for the previous 12 months.

Special Provisions/Credits
None.

Motor Vehicle Fuel Use Tax

Sections of Ohio Revised Code
Chapter 5728.

Responsibility for Administration
Tax Commissioner.

History of Major Changes
1981 • Tax became effective July 1.

1991 • Three cents per gallon surtax became effective.

1995 • Ohio joined International Fuel Tax Agreement (IFTA).

2003 • Tax rate increased by two cents per gallon, from 22 to 24 cents, effective July 1.

2004 • Tax rate increased by two cents per gallon, from 24 to 26 cents, and the surtax decreased from three cents to two cents, effective July 1.

2005 • Tax rate increased by two cents per gallon, from 26 to 28 cents, and the surtax was completely eliminated, effective July 1.

Motor Vehicle Fuel Use Tax

Comparisons with Other States (As of 01/06)

State	Tax Rate (cents per gallon) Gasoline	Diesel	Sales Tax Applicable
California*(1)*	—	33.00	Yes
Florida*(2)*	19.97	29.97	Yes
Illinois*(3)*	30.90	35.00	Yes
Indiana*(4)*	29.00	27.00	Yes
Kentucky*(5)*	19.80	20.40	No
Massachusetts	21.00	21.00	No
Michigan*(6)*	—	27.60	Yes
New Jersey	14.50	17.50	No
New York*(7)*	42.20	41.65	Yes
Pennsylvania	31.20	38.10	No
Texas	20.00	20.00	No
West Virginia*(8)*	27.00	27.00	Yes

Source: International Fuel Tax Administration (IFTA). All data current as of January 1, 2006.

Notes: *(1)Gasoline is not applicable. The applicable sales tax rate on the sale of gasoline is 7.25%. (2)The applicable sales tax rate on the sale of gasoline is 6.0% percent. (3)The applicable sales tax rate on the sale of gasoline is 6.25%. (4)Rate shown includes a surcharge of 11 cents per gallon. The applicable sales tax rate on the sale of gasoline is 6.0%. (5)Rate shown includes a surcharge of 2.7 cents per gallon for gasoline and 6.3 cents per gallon for diesel. (6)Gasoline is not applicable. The applicable sales tax rate on the sale of gasoline is 6.0%. (7)The applicable sales tax rate on the sale of gasoline is 4.0%. (8)The applicable sales tax rate on the sale of gasoline is 6.5%.*

Motor Vehicle License Tax

Taxpayer
Operators of motor vehicles on the public roads or highways.

Tax Base
Motor vehicles operated upon the public roads or highways of Ohio. Commercial vehicles based in Ohio and in other states pay a prorated tax based on the ratio of the mileage traveled in Ohio to total mileage.

Rates
Rates listed are for a 12-month period. Registrations for partial years are prorated.

Passenger cars:	$34.50
Motorcycles:	$28.50
House trailers, travel trailers, mopeds:	$24.50
Non-commercial trucks (no more than 3/4 ton) and motor homes:	$49.50
Non-commercial trucks (more than 3/4 ton and less than 1.0 ton):	$84.50
Commercial trailers, semi-trailers:	$39.50

Notes: *The registration fees shown above do not include permissive (local) taxes which vary based on the taxing district of the customer. Permissive tax cannot exceed $20 per vehicle and may be prorated, by law, by 50%, if registering for less than six months.*

Commercial trucks, and tractors:
Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight under 2,001 lbs., the tax is $56. For vehicles with a gross weight between 78,001 lbs. and 80,000 lbs., the tax is $1,351.

Non-commercial trailers:
Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight of no more than 3,000 lbs., the tax ranges from $16 to $42.

Motor Vehicle License Tax

Motor (Commercial) Buses:
Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight under 2,001 lbs., the tax is $21. For vehicles with a gross weight between 78,001 and 80,000 lbs., the tax is $1,641.

Farm Trucks:
Rates vary between several weight classes depending on the unladen vehicle weight. For example, for vehicles with an unladen weight between 2,901-3,000 lbs., the tax is $31. For vehicles over 10,001-10,100 lbs. unladen weight, the tax is $138.25.

Major Exemptions
- Vehicles owned and operated by the federal or state government or by political subdivisions of the State of Ohio.
- Publicly-owned school buses used for transporting public school pupils; privately-owned school buses used exclusively for transporting private or public school pupils to and from school or school functions.
- Vehicles registered in another state until owner becomes an Ohio resident.
- Historical registrations (vehicles more than 25 years old).

Revenue (In Millions)

Fiscal Year	Total
2001	$656.9
2002	670.2
2003	673.3
2004	770.8
2005	773.8

Disposition of Revenue
The Highway Bond Retirement Fund and the Highway Operating Fund are allocated 42.6% of the revenue from commercial vehicles having gross vehicle weights of 26,000 lbs. or more. After any bond retirement obligations are met and payment is made to an administration fund for the tax, the remaining revenues are distributed as follows:

Motor Vehicle License Tax

- 34% to municipal corporation or county of registration;
- 47% to county in which vehicle owner resides;
- 9.0% to counties in the ratio of the number of miles of county roads to the state total;
- 5.0% to townships in the ratio of the number of miles of township roads to the state total; and
- 5.0% divided equally among counties.

Payment Dates

- Commercial vehicles: March 1 - May 31.
- Passenger cars and noncommercial vehicles are required to be registered annually on the owner's birthdate.

Special Provisions/Credits

Several sections of the Ohio Revised Code give counties, municipalities, and townships the option to enact an additional $5.00 per vehicle local permissive tax levy. Counties have the authority to enact three different levies. Municipalities can enact four different levies, and townships have the authority to enact one levy. The total permissive tax levy, however, cannot exceed $20 per district (the combination of all county, municipal and township levies).

Special license plate numbers or letter combinations are available at an additional cost.

Dealers of manufactured homes and existing mobile homes must pay the motor vehicle license tax. Owners of manufactured and existing mobile homes, however, are subject to either the manufactured home tax or real property tax.

Sections of Ohio Revised Code

Chapters 4501, 4503 and 4504.

Responsibility for Administration

- The Registrar of the Ohio Department of Public Safety, Bureau of Motor Vehicles is the primary administrator.
- The Registrar may appoint private individuals, nonprofit corporations, county auditors, and clerks of courts of common pleas in counties having a population of less than 40,000 as deputy registrars.

Motor Vehicle License Tax

History of Major Changes

1906 • Registration fee of $5 for all gasoline or steam motor vehicles enacted.

1920 • Separate license taxes for motorcycles, passenger cars, and commercial vehicles enacted.

1925 • Graduated rate schedule for commercial vehicles enacted.

1932 • Rates increased for motorcycles, passenger cars, and commercial vehicles; method of revenue distribution amended.

1937 • Rate schedule on farm trucks enacted.

1948 • Passenger car levy increased to $10.

1949 • Separate levy on house trailers enacted.

1951 • Separate graduated rate schedule on motor buses enacted; levy on commercial vehicles increased.

1953 • Department of Highway Safety (containing the Bureau of Motor Vehicles) created; current method of revenue distribution enacted.

1957 • Separate levy on transit buses enacted.

1967 • Counties and municipalities permitted to levy $5 permissive license tax.

1980 • Permissive authority given to Bureau of Motor Vehicles to have registration by mail.
• Rates on passenger cars, motorcycles, house and travel trailers doubled; rates on all other vehicles increased.

1987 • Additional authority given to counties, municipalities.

1988 • Registration according to owner's birthdate enacted.
• Bureau of Motor Vehicles required to begin mail registration.

Motor Vehicle License Tax

1989 • Legislation enacted which converted the fee structure of commercial vehicle registrations from unladen weight to gross vehicle weight as of June, 1991.

1996 • Seven-digit plate issued to provide more combinations.

2000 • Ohio's online registration program, Oplates.com, began.

2001 • Bicentennial plates issued to commemorate 200th anniversary of Ohio's statehood.

2002 • Phased-in increases of operational fees paid to deputy registrars goes from \$2.25 to \$2.75 in 2001, and to \$3.25 in 2003.

2003 • Registration fees increased by \$11 to compensate for revenue transferred from the Ohio Highway Patrol and the Department of Public Safety to the Department of Transportation for distribution to counties, municipalities, and townships.

2004 • New sunburst Ohio plates issued.
- Biennial registration permitted.
- Staggered registration begun for commercial vehicles.
- Motorcycle plate becomes national standard size.

2005 • Print-on-demand (POD) forms for vehicle registrations replaced the preprinted consigned application forms.

Motor Vehicle License Tax

Comparisons with Other States (As of 04/06)*

State	Passenger Cars	Commercial Vehicles
California	$41.00, plus 0.65% of market value. Electric vehicles are an additional $10.	$1,431.00
Florida	$27.60 - $45.60, depending on age and weight of vehicle.	$678.00
Illinois	$78	$1,970.00
Indiana	$20.75 plus an excise tax of $12 - $532, based on selling price when new and age of vehicle.	$819.75
Kentucky	$11.50	$1,007.00
Massachusetts	$36 one-time fee, plus excise tax of $25 per $1,000 of value based on age of vehicle.	$900.00
Michigan	$29 to $148 based on year and weight, or price plus length of ownership.	$1,268.00
New Jersey	$32.50 - $81.00, based on weight and model year.	$954.50
New York	Variable based on weight: minimum = $10.35 maximum = $56.06 electric-propelled = $12.94	$931.00

Note: **Comparisons based on a truck of 60,000 lbs. gross weight. Estimate of fees does not consider additional variable fees legislated by state and local governments, or miscellaneous state and/or local exemptions that might increase the fee.*

Motor Vehicle License Tax

Comparisons with Other States (As of 04/06)*

State	Passenger Cars	Commercial Vehicles
Pennsylvania	$36	$999.00
Texas	$40.50 - $58.50 based on model year for vehicles weighing up to 6,000 lbs. $25 plus $0.60 per 100 lbs. for vehicles weighing over 6,000 lbs.	$619.00
West Virginia	$28.50	$816.00

Note: **Comparisons based on a truck of 60,000 lbs. gross weight. Estimate of fees does not consider additional variable fees legislated by state and local governments, or miscellaneous state and/or local exemptions that might increase the fee.*

Natural Gas Consumption Tax

The natural gas consumption tax was enacted as a result of Amended Substitute Senate Bill 287 (123rd General Assembly, effective July 1, 2001) as part of tax reform of the natural gas industry. It was designed to replace the tax losses from a reduction in natural gas utility personal property tax assessment rates.

Taxpayer
Natural gas distribution companies.

Tax Base
Amount of natural gas distributed to an end user.

Rates
The natural gas consumption tax (the Mcf tax) is based on a tier schedule as follows:

Mcf Distributed to an End User	Rate per Mcf*
For the first 100 Mcf per month	$0.1593
For the next 101 to 2,000 Mcf per month	0.0877
For 2,001 and above Mcf per month	0.0411
Flex customer	0.0200

Note: **"Mcf" means 1,000 cubic feet.*

Major Exemptions
- Distribution of natural gas to the federal government.
- Natural gas produced by an end user in Ohio that is consumed by the end user or its affiliates and is not distributed through the facilities of a natural gas distribution company.

Revenue (In Millions)
This tax began July 1, 2001. Only nine months' collections occurred in Fiscal Year 2002.

Fiscal Year	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	Total
2002	$39.2	$16.8	$56.0
2003	57.5	26.2	83.7
2004	52.4	23.9	76.3
2005	50.6	23.1	73.7

Natural Gas Consumption Tax

Disposition of Revenue

- School District Property Tax Replacement Fund receives 68.7%.
- Local Government Property Tax Replacement Fund receives 31.3%.

Payment Dates

Payments of the natural gas consumption tax are due by November 20, February 20, May 20, and August 20.

Special Provisions/Credits

Large commercial and industrial consumers of natural gas are taxed at a flat rate of $0.02 per Mcf. These consumers are considered flex customers and have made a special purchase agreement with a natural gas distribution company. Natural gas distribution companies are responsible for collection and remission of the tax from flex customers.

Section of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2000
- Enacted.
- Natural gas consumption tax receipts remain as revenue in the tax base of the public utility excise tax.

2002
- Distribution to School District Property Tax Replacement Fund reduced from 70% to 68.7%, and distribution to Local Government Property Tax Replacement Fund increased from 30% to 31.3%.

Natural Gas Consumption Tax

Comparisons with Other States (As of 01/06)

California

Tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2006 ranges from $0.00157 to $0.09534 per therm, depending on territory, customer class, and rate program.

Illinois

Gas companies pay $0.024 per therm sold to customers; self-assessing purchasers pay $0.024 per therm or 5.0% of gross receipts, whichever is less.

New Jersey

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities. The tax is scheduled to be phased-out by 2010.

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, Texas, and **West Virginia** do not have a consumption-based tax on natural gas.

Pass -Through Entity & Trust Withholding Tax

Ohio's tax laws include a provision, effective in 1998, for the collection of tax on the distributive shares of income earned by qualifying investors from their investment in any qualifying pass-through entity doing business in Ohio. The pass-through entity tax is not so much a separate tax but, rather, a mechanism designed to collect individual income tax or corporation franchise tax which pursuant to Ohio tax law is due and payable by pass-through entity investors.

Taxpayer
Qualifying pass-through entities.

Tax Base
The sum of the "adjusted qualifying amounts" of a qualifying pass-through entity's qualifying investors. A pass-through entity is an "S" corporation, partnership, or a limited liability company treated as a partnership for federal income tax purposes. (Many pass-through entities are not subject to the tax; see **Major Exemptions**). The "adjusted qualifying amount" is the net sum of the qualifying investor's distributive share of the pass-through entity's income, gain, expense, and loss apportioned to Ohio.

Rates
- 5.0% withholding tax on the adjusted qualifying amount of qualifying investors who are individuals.
- 6.8% entity tax on the adjusted qualifying amount of qualifying corporate investors that are not individuals and subject to the corporation franchise tax phase-out reduction (80%) for taxable year ending in year 2005; 60% for 2006; 40% for 2007; 20% for 2008; and 0.0% for 2009 and thereafter.
- 8.5% entity tax on the adjusted qualifying amount of qualifying corporate investors that are not individuals and not subject to the corporation franchise tax phase-out reduction.
- No tax is due if the total adjusted qualifying amount is $1,000 or less.

Major Exemptions
Pass-through entities not subject to tax include (but are not limited to) the following:

Pass-Through Entity & Trust Withholding Tax

- Any pass-through entity if all the equity investors are:
    - (a) Ohio corporation franchise taxpayers, and/or
    - (b) corporations exempt under Ohio Revised Code section 5733.09 from the Ohio corporation franchise tax.
- Entities having no qualifying investors.
- Pension plans and charities.
- Real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits.

A qualifying investor does not include the following:
- Individuals who are residents of Ohio for the entire year.
- Nonresident individuals on whose behalf the qualifying pass-through entity files Ohio form IT-4708, "Annual Composite Income Tax Return for Investors in Pass-Through Entities."
- Investors that are "investment pass-through entities."

(This is not a complete listing; there are many other types of investors not included in the definition of "qualifying investor.")

Revenue (In Millions)
5.0% withholding tax*(1)(2)***:**

Fiscal Year	Total Tax
2001	$53.8
2002	48.7
2003	52.6
2004	59.7
2005	61.2

Notes : *(1)These figures represent the tax liabilities reported for each tax year, according to the fiscal year payment associated with the tax year. For example, the liability for tax year 2004 was predominantly paid during Fiscal Year 2005, so the tax year 2004 tax liability data is reported as FY 2005 revenue in this table. (2)This revenue is counted as individual income tax. (3)This revenue is counted as corporation franchise tax.*

Pass-Through Entity & Trust Withholding Tax

8.5% entity tax*(1)(3)***:**

Fiscal Year	Total Tax
2001	$6.7
2002	7.3
2003	10.5
2004	14.2
2005	15.3

7.5% composite income tax*(2)* **of nonresident investors in pass-through entities (Form IT-4708):**

Fiscal Year	Total Tax
2001	$62.4
2002	49.4
2003	67.3
2004	75.5
2005	101.7

Notes : *(1)These figures represent the tax liabilities reported for each tax year, according to the fiscal year payment associated with the tax year. For example, the liability for tax year 2004 was predominantly paid during Fiscal Year 2005, so the tax year 2004 tax liability data is reported as FY 2005 revenue in this table. (2)This revenue is counted as individual income tax. (3)This revenue is counted as corporation franchise tax.*

Disposition of Revenue

5.0% withholding and 7.5% composite income tax revenue:
89.5% to the General Revenue Fund, 5.7% to the Library and Local Government Support Fund, 4.2% to the Local Government Fund, and 0.6% to the Local Government Revenue Assistance Fund.

8.5% entity tax revenue:
95.2% to the General Revenue Fund, 4.2% to the Local Government Fund, and 0.6% to the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds were frozen and each received the same amount of corporation franchise tax revenue as they received in Fiscal Year 2001. The remainder was deposited in the General Revenue Fund. This freeze was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. Refer to **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of the deposits into the local government funds.

Payment Dates

Qualifying pass-through entities whose total adjusted qualifying amounts exceed $10,000 must make estimated quarterly tax payments. The payments are due on the 15th day of the month following the last day of each quarter of the taxpayer's taxable year. For taxpayers with a January 1- December 31 taxable year, payments are due on April 15, July 15, October 15, and January 15.

The annual pass-through entity tax return must be filed by the 15th day of the fourth month following the end of the entity's taxable year. For taxpayers with a January 1- December 31 taxable year, the return is due on April 15. If the entity has an extension of time to file its federal tax return, the qualifying pass-through entity has the same extension to file the pass-through entity tax return. However, there is no extension of time to pay.

Special Provisions/Credits

A refundable tax credit may be claimed by qualifying individual investors in a pass-through entity against their Ohio individual income tax based upon the investor's proportionate share of the withholding tax and entity tax, if any.

A nonrefundable tax credit may be claimed by qualifying non-individual (corporate) investors against their Ohio corporation franchise tax, based upon the investing corporation's proportionate share of the entity tax.

Qualifying trusts are also subject to tax.

The entity tax does not apply to any pass-through entity to the extent the pass-through entity's distributive shares of income and gain pass through from that entity to another pass-through entity (the "investing entity"), as long as certain conditions are met.

If, for federal income tax purposes, the investor deducts the investor's proportionate share of the withholding tax or the entity tax, the investor must add back such tax on the Ohio individual income tax return or corporation franchise tax report.

Pass-Through Entity & Trust Withholding Tax

Sections of Ohio Revised Code
Chapters 5733 and 5747.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1998
- Tax became effective at a rate of 5.0% on individual qualifying investors and 8.5% on non-individual qualifying investors.
- Certain pass-through entities that are part of multi-tier structures exempted from tax.
- Investment pass-through entities exempted from tax on investment income.

2001
- If net management fees exceed 5.0% of an investment pass-through entity's net income, such fees are subjected to tax.

2002
- Required a corporation that is a partner in a partnership or is a member of a limited liability company (LLC) to add back 5/6 of the corporation's share of the bonus depreciation deduction passed through from the entity to the corporation.
- Definition of "business income" amended to include gains and/or losses from partial or complete liquidation of a business, including, but not limited to, the gain or loss from the disposition of goodwill.
- Distributive shares expanded to include the sum of the income, gain, expense, or loss of a disregarded entity.

2003
- Required a corporation that is a partner in a partnership or is a member of an LLC to add back 5/6 of the corporation's share of "qualified Internal Revenue Code section 179" depreciation.
- Sales factor amendments and cost of performance standard replaced with market-theory approach for sales other than inventory sales of tangible personal property and real estate.

2005
- Tax rate phase-out began for the qualifying corporate investors not listed below. 8.5% tax rate applicable only to

distributive shares of income passing through to qualifying investors, other than individuals, listed below:

- Estates, trusts and other pass-through entities.
- Financial holding companies as defined in the federal "Bank Holding Company Act."
- Bank holding companies as defined in the federal "Bank Holding Company Act."
- Savings-and-loan holding companies as defined in the federal "Homeowners Loan Act" that are engaging only in activities permissible under 12 United States Code (U.S.C.) 1843(k).
- Persons, other than persons held pursuant to merchant banking authority under 12 U.S.C. 1843(k)(4)(H) or 12 U.S.C. 1843(k)(4)(i), directly or indirectly "owned" by one or more financial institutions, financial holding companies, bank holding companies, or savings-and-loan holding companies, but only if those persons are engaged in activities permissible for a financial holding company under 12 U.S.C. 1843(k).
- Persons directly or indirectly "owned" by one or more insurance companies:
  - (a) authorized to do the business of insurance in this state, and
  - (b) paying the Ohio insurance premiums tax.
- Persons that solely facilitate or service one or more "securitizations" or similar transactions for financial institutions, financial holding companies, bank holding companies, savings-and-loan holding companies, insurance companies, or persons directly or indirectly "owned" by such businesses.

Comparisons with Other States (As of 04/06)

This state's pass-through entity tax is essentially a withholding tax on the distributive shares of income of qualifying investors (generally corporations and nonresident investors).

The states with a tax most closely approximating the **Ohio** pass-through entity tax are those that require withholding tax on the pass-through entity income of nonresident investors.

These states include **California, Indiana, New Jersey, New York, Pennsylvania,** and **West Virginia.** (This listing does

Comparisons with Other States (As of 04/06)

not reflect taxes imposed by many states on certain types of income, such as the capital gains, built-in gains, and excess net passive income of "S" corporations, or any other type of entity-level tax.)

Public Utility Excise Tax

Taxpayer
Public utilities that are subject to the tax.

Tax Base
Most public utilities are taxed on gross receipts from intrastate business. The following public utilities are subject to this tax: local telephone companies, water works companies, pipeline companies, heating companies, and water transportation companies. Electric and rural electric companies became subject to the kilowatt-hour tax in June 2001 and the corporation franchise tax in 2002. Telephone companies became subject to the corporation franchise tax in 2005. Natural gas companies were subject to a separate excise tax beginning in 2001.

Rates
All utility classes are taxed at a rate of 4.75% except pipelines, which are taxed at a rate of 6.75%. There is a minimum tax of $50.

Major Exemptions
- Municipally-owned utilities.
- Nonprofit water works.
- Gross receipts from interstate business, sales to other public utilities for resale, sales of merchandise, and business done with the federal government.
- First $25,000 of gross receipts.
- Electric, inter-exchange telecommunications, railroad and rural electric companies.

Revenue (In Millions)

Fiscal Year	General Revenue Fund	Local Gov't. Funds	Other*	Total
2001	$640.5	$33.7	$0.1	$674.3
2002	260.1	39.8	0.1	300.0
2003	218.7	36.7	0.1	255.5
2004	226.4	36.7	0.2	263.3
2005	104.1	36.7	0.1	140.9

Note: **Includes the Attorney General Claims Fund.*

Public Utility Excise Tax

Disposition of Revenue

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds were frozen and each received the same amount of public utility excise tax revenue as they received in Fiscal Year 2001. The remainder was deposited in the General Revenue Fund. This freeze on local government funds was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. Refer to **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of deposits into the local government funds.

Payment Dates

Advance payments are required of all public utilities, except natural gas companies, for which tax liability exceeded $1,000 during the previous tax year. Payments equal to one-third of the previous tax year's liability are due on October 15, March 1, and June 1. Final payment of remaining balance, based on the current year's certification in November, is due within 30 days of billing.

Each natural gas company whose annual liability equals or exceeds $325,000 must pay on a quarterly basis. Payment dates are the 45th day following the last day of March, June, September, and December. Each natural gas company whose annual liability is less than $325,000 can pay annually in February.

Special Provisions/Credits

Local telephone companies receive a credit for non-recurring costs associated with the installation of a 9-1-1 system in a county.

Qualifying natural gas companies may receive a refundable quarterly credit, beginning with the November, 2001 payment, for estimated tax payments made in October, 1999; March, 2000; and June, 2000. This credit expires when the amount of the estimated payments are made up in credits, or in 15 years.

Public Utility Excise Tax

The venture capital tax credit is available to natural gas companies only.

Sections of Ohio Revised Code
Chapters 150, 5703, and 5727.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1894 • Enacted.

1911 • Current tax structure established.

1935 • 1.0% rate increase for certain utilities.

1938 • Rate increases for certain utilities.

1963 • Advance payment system inaugurated.

1966 • All revenue allocated to General Revenue Fund.

1971 • Rates increased from previous 3.0% to 4.0% for most utilities.

1977 • Advance payment system altered for gas, pipeline, and electric companies.

1979 • Advance payment system altered for remaining utilities except freight line and equipment companies.

1980 • Rates temporarily increased for 1981 (from 4.0% to 5.0% for most utilities).

1981 • Rates temporarily increased for 1982 (from 4.0% to 4.5% for most utilities).
• Rates permanently increased for 1983 and thereafter (from 4.0% to 4.25% for most utilities).
• Charter-city credit repealed.
• 5.55% surtax imposed on 1982 liability.

1982 • Temporary rate increase for 1983 (from 4.25% to 4.5% for most utilities).

Public Utility Excise Tax

- 5.55% surtax imposed on 1983 liability.

1983
- Temporary rate increase for 1983 (from 4.5% to 5.0% for most utilities).
- Permanent rate increase for 1984 and thereafter (from 4.25% to 4.75% for most utilities).
- Advance payment system altered.

1985
- Credit established for telephone companies for non-recurring installation costs related to a 9-1-1 system.

1987
- Long-distance telephone companies exempted from public utility excise tax.

1990
- Public utility excise tax on freight line and equipment companies repealed as of tax year 1990.

1991
- Legislation passed granting $1.0 per ton credit beginning tax year 1995 to electric companies using pollution control devices for burning Ohio coal.
- Credit established for telephone companies with a lifeline program of rate discounts for low-income, elderly and disabled persons.
- Railroads exempted from tax as of tax year 1992 by court decision.

1998
- Lifeline credit program for telephone companies extended through 1999.

1999
- Changed the current payment schedule and measurement periods for natural gas companies and the natural gas business of combined natural gas and electric companies, effective May 1, 2000.
- The excise tax on electric and rural electric companies was replaced with the kilowatt-hour tax, effective May 1, 2001.
- Removal of electric and rural electric companies from the public utility excise tax, effective with the June, 2001 payment.
- Increased the coal credit from $1.0 to $3.0 per ton effective January 1, 2000 until its termination at the end of 2004.

Public Utility Excise Tax

2000 • Expanded the definition of electric utility compliance facility that is able to take the increased $3.0 per ton coal credit.
• Natural gas consumption tax (Mcf tax) receipts will remain as revenue in the tax base of the public utility excise tax.

2003 • Removal of telephone companies from the public utility excise tax, effective after the 2004 tax year.

2005 • Venture capital tax credit made available to natural gas companies only.

Comparisons with Other States (As of 04/06)

California

No general public utility excise tax. Intrastate telephone service is subject to a 0.5% to 0.75% surcharge on sales.

Florida

Gas, electric, and express companies pay a tax of 2.5% on gross receipts. A tax of 9.17% (6.8% of the sale price plus 2.37% on gross receipts) is levied on retail communications services. Tax on residential communications services is 2.37%. A tax of 13.17% (10.8% of the sale price plus 2.37% on gross receipts) is levied on direct-to-home satellite services.

Illinois

Telecommunications companies pay 7.0% tax on gross charges. (See also **Comparisons with Other States** in **Kilowatt-Hour Tax** and **Natural Gas Consumption Tax**.)

New Jersey

Sewage and water corporations are subject to a tax on 2.0% or 5.0% of gross receipts (depending upon amount of gross receipts).

New York

All utilities selling utility services to New York consumers pay a tax of 2.0% on gross income earned in the state on regulated revenue sources. Telecommunications services tax rate is 2.5% on gross receipts.

Public Utility Excise Tax

Comparisons with Other States (As of 04/06)

Pennsylvania

Rate of 4.4% on gross receipts for electric companies; rate of 4.5% on gross receipts, plus a 5-mill surtax, for all other utilities. Not imposed on natural gas companies.

Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581% to 1.997% of gross receipts, depending upon class of utility and population of town in which utility operates. Electric utilities operating a nuclear facility pay a 5.0% surcharge on the gross receipts tax.

West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4.0% tax on gross income from telecommunications activities apportioned to the state. Natural gas companies pay a tax of 4.29% on gross receipts. Water companies pay a tax of 4.4%. Electric power companies pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86%.

Indiana, Kentucky, Massachusetts, and **Michigan** do not levy a specific public utility excise tax. The utilities may be subject to general business taxes.

Replacement Tire Fee

Taxpayer
Any wholesale distributor of replacement tires or any retail dealer acquiring tires on which the fee has not been paid.

Tax Base
Tires with rims of 13 inches or more designed for use on a motor vehicle and sold as replacements. Tires that are used, retreaded, or on a new motor vehicle are not subject to the fee.

Rate
$1.00 per tire.

Major Exemptions
None.

Revenue (In Millions)

Fiscal Year	Scrap Tire Mgt. Fund	Adm. Fund	Total
2001	$3.3	$0.1	$3.4
2002	6.0	0.3	6.3
2003	6.8	0.3	7.1
2004	6.7	0.3	7.0
2005	6.5	0.3	6.8

Disposition of Revenue
- The Scrap Tire Management Fund receives 96%.
- The Tire Fee Administration Fund receives 4.0%.

Payment Date
Returns are filed monthly or quarterly and are due with the payment by the 20th of the month following the reporting period.

Special Provisions/Credits
None.

Sections of Ohio Revised Code
Sections 3734.90 to 3734.99.

Responsibility for Administration
Tax Commissioner.

Replacement Tire Fee

History of Major Changes

1993 • Enacted with expected sunset on June 30, 2002.

1999 • Fee extended through June 30, 2006.

2001 • Tire fee increased from 50 cents to $1.00 per tire.

Comparisons with Other States (As of 04/06)

California	$1.75 per tire on new replacement tires.
Florida	1.00 per tire on new replacement tires.
Illinois	2.50 per tire on replacement tires.
Indiana	0.25 per tire on new tires.
Michigan	1.50 tire disposal surcharge assessed on vehicle title transfer.
New Jersey	1.50 per tire on new replacement tires delivered to locations in New Jersey.
New York	2.50 per tire on new tires.
Kentucky	1.00 per tire on new replacement tires.
Pennsylvania	1.00 per tire on new replacement tires.

Massachusetts, West Virginia, and **Texas** do not have a replacement tire fee.

Sales & Use Tax

Taxpayer
Holders of vendor's licenses, direct-payment permits, and consumer accounts; registered out-of-state sellers; and clerks of court.

Tax Base
Sales and rental of tangible personal property, and selected services.

Rate
6.0% temporary rate through June 30, 2005; this changed to a 5.5% rate effective July 1, 2005. There are specific brackets for sales other than multiples of one dollar effective through December 31, 2005. Effective January 1, 2006, tax is to be collected based on calculation to the third decimal place and rounded up if the third place is five or greater.

Major Exemptions
- Purchases for resale.
- Food for human consumption off the premises where sold.
- Newspapers.
- Magazine subscriptions.
- Motor fuel.
- Sales of natural gas by a natural gas company, and water by a water works company when delivered through pipes or conduits.
- Sales of electricity delivered through wires.
- Prescription drugs.
- Property used primarily in manufacturing or used directly in mining or agriculture.
- Credit for trade-ins on new motor vehicles, new watercraft, and new outboard motors.

Sales & Use Tax

Revenue (In Millions)

Fiscal Year	General Revenue Fund	Local Govt. Funds	Other*(1)*	Total
2001	$5,935.6	$299.4	$2.2	$6,237.2
2002	6,038.0	303.3	2.2	6,343.5
2003	6,397.9	301.3	2.2	6,701.4
2004*(2)*	7,530.6	301.3	2.8	7,834.7
2005	7,827.1	301.3	2.9	8,131.3

Notes: *(1)Includes Attorney General Claims Fund. (2)Two-year temporary rate increased to 6.0 percent effective July 1, 2003, and expired June 30, 2005. A permanent rate of 5.5% took effect July 1, 2005.*

Disposition of Revenue

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the local government funds were frozen and each received the same amount of sales and use tax revenue as they received in Fiscal Year 2001. The remainder was deposited in the General Revenue Fund. This freeze on local government funds was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. See **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of the deposits into the local government funds.

Payment Dates

Monthly returns:

By the 23rd day of the month following the reporting period.

Semi-annual returns:

By the 23rd day of the month following the close of the semi-annual reporting period determined by the county of business location; this method of payment may be authorized for vendors and sellers whose tax liability is less than $1,200 per six month period.

Sales & Use Tax

Quarterly returns:
Consumer accounts and direct payments by the 23rd day of the month following the reporting period if monthly liability is under $5,000. Otherwise, consumers must remit tax monthly.

Note: vendors and out-of-state sellers are allowed a 0.75% discount for timely payment (0.9% for returns filed between July 1, 2003 and June 30, 2007).

Payment is required to be made by electronic funds transfer by taxpayers when liabilities equal or exceed $75,000 a year. These taxpayers must also make accelerated payments on the 15th and 25th of the month.

Special Provisions/Credits

1. Counties and transit authorities may levy additional sales and use tax. (See **Sales and Use Tax – County and Transit Authority** section.)
2. Qualified municipal corporations and townships (see Ohio Revised Code section 5739.101-105) are authorized to levy a resort area tax at the rate of 0.5%, 1.0% or 1.5% on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax:
   Kelley's Island (1.5%),
   village of Put-in-Bay (1.5%), and the
   township of Put-in-Bay (1.5%).
   The Tax Commissioner administers this tax.
3. The General Assembly in 2002 authorized Ohio to participate in the Streamlined Sales Tax Project, which is a multi-state initiative to make sales tax laws, rules, and systems more uniform across states. The goal is to make it easier for out-of-state sellers to voluntarily collect states' sales taxes (federal law exempts sellers from this unless they have a physical presence, such as a store or a warehouse, in a state). Ohio's participation resulted in 2003 in the enactment in House Bill 95, the fiscal year 2004-2005 biennium budget bill, of changes to a number of definitions, including the definitions of prescription drugs and food, effective July 1, 2003. This bill also changed the sourcing of delivery sales to mandate that all Ohio vendors collect the sales tax rate in effect where the product is received by the consumer. Other legislation first delayed the implement-

ation of this provision until January 1, 2005, then a separate bill permitted voluntary implementation as of January 1 and a phase-in between January 1 and July 1, 2005 while allowing for compensation for transition costs to be paid to smaller vendors. Later legislation delayed implementation to between January 1, 2006 and January 1, 2008, with phase-in periods based on delivery sales volume. On July 1, 2005, Ohio was approved as an Associate Member State of the Streamlined Sales Tax System effective October 1, 2005.

Sections of Ohio Revised Code
Chapters 5739, 5740, and 5741.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1934 • Enacted a sales tax at a 3.0% rate effective January 1, 1935.

1935 • Enacted a use tax at a 3.0% rate effective January 1, 1936.

1936 • Food sold for human consumption off the premises exempted.

1962 • Use of sales tax stamps discontinued.

1967 • Rate increased to 4.0%. Cigarettes and beer made taxable.

1971 • Cigarettes exempted.

1981 • Rate increased to 5.0%; cigarettes, repairs, and other selected services made taxable. Credit established for trade-ins on new motor vehicles.

1983 • Business data processing services made taxable.

1987 • Purchases made with food stamps exempted.
• Long distance telecommunications service made taxable.

1989 • Investment coin and bullion purchases exempted.

Sales & Use Tax

1990 • Credit established for trade-ins on new or used watercraft.
- Tangible personal property primarily used in manufacturing operations exempted (replaced manufacturers' direct use exemption).

1991 • Lawn care, landscaping, private investigation, and security services made taxable.

1993 • Building cleaning and maintenance, exterminating, employment agency, and personnel supply service made taxable.
- Physical fitness facilities and recreation and sports club memberships made taxable.
- Vendor discount decreased from 1.5% to 0.75% of tax collections.
- Tax exemption for property used in making a retail sale defined more narrowly.
- Property and third party labor used to fulfill a warranty or service contract made taxable.
- Tax exemption for food service operations defined more narrowly.
- Tax exemption for qualified property used in research and development established.
- Tax exemption for nonprofit scientific organizations established.
- Qualified municipal corporations and townships authorized to levy a resort area tax.

1994 • Tax exemption for property and third party labor used to fulfill a warranty or service contract reinstated.
- Tax exemption provided for equipment used to handle tangible personal property temporarily stored in certain types of warehouses before being sent out of state.
- Tax exemption provided for reciprocity of purchase between Ohio and other states.
- Tax exemption provided for purchases by organizations defined under Internal Revenue Code 501(c)(3).
- Tax exemption provided for purchases of building and construction materials to be incorporated into a horticulture or livestock structure.

Sales & Use Tax

1995 • Clarified that levying of state sales tax on sports and recreation club services does not prevent a municipality from levying admissions tax on same entities.

1996 • Motor vehicle dealers allowed to take the 0.75% discount up front when paying sales and use taxes to clerks of court.
• Poundage fee given to clerks of court for receiving and distributing sales tax from motor vehicle sales increased to 1.01%.
• Tax exemption provided on sales and repairs to rail rolling stock used in interstate or international commerce.

1997 • Tax exemption provided on sales of personal computers and qualified equipment to licensed and certified teachers.
• Tax exemption provided on some purchases made by service providers who permanently transfer personal property to consumers in conjunction with providing taxable services.

1999 • The sales of used manufactured and mobile homes in Ohio made on or after January 1, 2000 not subject to the sales and use tax. Also, for the purposes of the sales and use tax, sale of a new manufactured or mobile home on or after January 1, 2000 not considered a motor vehicle sale.
• Pre-paid authorization numbers used to make phone calls or pre-paid calling cards made subject to sales tax at the point of sale. Telephone services paid for using pre-paid authorization numbers or pre-paid calling cards are not subject to sales tax.
• Use tax exemption provided for sellers of prescription drugs for drug samples distributed free of charge to doctors, dentists, and certain other medical practitioners, effective July 1, 2001.
• Various changes to sales tax law made to accommodate electric utility deregulation. Effective date for these changes was October 5, 1999.

2000 • Labeling and labeling equipment added to the exemption for packaging and packaging equipment.
• Changed the definition of exempted casual sales to include items that had been subjected to the taxing jurisdiction of another state.

Sales & Use Tax

- Treatment of charitable nonprofit organizations clarified.
- Exemption for certain types of energy systems purchased between August 14, 1979 to December 31, 1983 (as it no longer applied) repealed.
- Liquor permit holders required to have the liquor license in the same name as is on the vendor's license.
- The limited vendor's license eliminated. The transient vendor's license made to include those vendors that previously were required to obtain the limited vendor's license.
- Reduced the transient vendor's license fee from $100 to $25.
- Tax Commissioner given the authority to discuss streamlining the sales tax with other states.

2001
- Excluded coin-operated telephone services from the definition of taxable telecommunications services.
- Revenue distribution to both local government funds temporarily changed.
- Effective January 1, 2002, certain duties of the Ohio Treasurer of State transferred to the Tax Commissioner.
- Exemption of fire protection and emergency vehicles and equipment expanded.
- The sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses required to be paid upon consummation of the lease.

2002
- Authorized participation in the multi-state Streamlined Sales Tax Project.
- Allowed refunds directly to consumers when the consumer illegally or erroneously paid tax to the vendor.

2003
- Increased rate from 5.0% to 6.0% for the period July 1, 2003 to June 30, 2005. Vendor discount increased from 0.75% to 0.9% for the same period.
- Imposed tax on laundry and dry cleaning services, satellite broadcasting service, personal care services, intrastate transportation of persons by motor vehicle or aircraft, motor vehicle towing service, snow removal

service, and storage of tangible personal property, effective August 1, 2003.
- Included delivery charges as part of the price of a taxable sale, effective July 1, 2003.
- Repealed exemption for WATS, 800-number and WATS-type telecommunications, and private communications service, effective July 1, 2003.
- Exempted telecommunications service used to perform the functions of a call center, effective July 1, 2003.
- Required accelerated payments of tax from taxpayers that are required to pay tax by electronic funds transfer.
- Raised threshold for requiring taxpayers to pay tax by electronic funds transfer from $60,000 annual tax liability to $75,000.
- Changed some definitions of food, beverages, and medical supplies to conform to the provisions of the multi-state Streamlined Sales Tax Project.

2004 • Sourcing of delivery sales under the Streamlined Sales Tax Project to collect the sales tax in effect at the delivery location delayed until July 1, 2005. Separate law initially permitted voluntary implementation as of January 1, 2005 and phase-in between January 1 and July 1, 2005 and allowed for compensation for transition costs for smaller vendors; later law delayed phase-in until between January 1, 2006 and January 1, 2008.

2005 • Rate reduced from 6.0% to 5.5% effective July 1, 2005. Temporary discount rate of 0.9% extended through June 30, 2007. Revised various telecommunications service definitions so they conform with the provisions of the Streamlined Sales and Use Tax Agreement (SSUTA) effective July 1, 2005. Revised definition of “price” to address coupons, rebates, and buy-downs effective July 1, 2005. Adopted definition of “bundled transaction” to conform to the SSUTA effective January 1, 2006.

Sales & Use Tax

Comparisons with Other States (As of 01/06)

State	State Tax Rate	Local Tax Rate*(1)*	Maximum Rate In Effect Including Local Rate
California	6.25%	2.50%	8.75%
Florida	6.00	1.50	7.50
Illinois	6.25	3.00	9.00
Indiana*(2)*	6.00	0.00	6.00
Kentucky	6.00	0.00	6.00
Massachusetts	5.00	0.00	5.00
Michigan	6.00	0.00	6.00
New Jersey	6.00	0.00	6.00
New York	4.00	5.50	9.50
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia	6.00	1.00	7.00

Notes: *(1)Rate shown is the highest combined total local rate currently in effect in the state. (2)Local governments have permissive authority to levy a local sales tax at a rate up to 1.0% on food and beverages that are prepared and consumed on-site.*

Severance Tax

Taxpayer
Holder of severance permit.

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

Rates

Resource	Tax Rate
Coal	9.0 cents per ton*
Salt	4.0 cents per ton
Dolomite, gravel, sand, and limestone	2.0 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per 1,000 cubic feet
Clay, sandstone, shale, conglomerate, gypsum, and quartzite	1.0 cent(s) per ton

Note: **Includes a temporary one cent per ton tax on coal (see* **Special Provisions/Credits***).*

Major Exemptions
Natural resources with a market value not exceeding $1,000 annually, when used in the owner's homestead or for improvement thereon, if the homestead is located on the same property from which the minerals were severed.

Revenue (In Millions)

Fiscal Year	Total
2001	$8.0
2002	8.0
2003	7.5
2004	7.5
2005	7.6

Disposition of Revenue
Fractional amounts of the severance tax are allocated to the following funds:

- Oil and Gas Well Fund
- Unreclaimed Lands Fund

Severance Tax

- Coal Mining Administration and Reclamation Reserve Fund
- Reclamation Supplemental Forfeiture Fund
- Geological Mapping Fund
- Surface Mining Administrative Fund

Payment Dates
May 15, August 14, November 14, and February 14, for quarterly periods ending last day of March, June, September, and December, respectively. February 14 for annual period ending December 31.

Special Provisions/Credits
The Ohio Department of Natural Resources may impose a one cent per ton tax on coal if the balance of the Reclamation Supplemental Forfeiture Fund plus transfers to the fund and current revenues are not sufficient to fund the reclaiming of lands.

Sections of Ohio Revised Code
Chapter 5749.

Responsibility for Administration
Tax Commissioner.

History of Major Changes
1972 • Tax became effective.

1983 • Tax rates increased on oil and natural gas.

1985 • Rate on coal temporarily increased by two cents per ton for the Defaulted Areas Fund.
• Rate on coal permanently increased by three cents.

1989 • Rate on limestone, dolomite, sand, and gravel increased by one cent per ton.
• Tax of one cent per ton on clay, sandstone, shale, conglomerate, gypsum, and quartzite became effective.

1999 • Changed the distribution of the oil and natural gas taxes to 90% to the Oil and Gas Well Fund and 10% to the General Mapping Fund. Changed one of the temporary one cent tax levies on coal to permanent.

Severance Tax

2000 • Created the Division of Mineral Resources Management in the Ohio Department of Natural Resources by combining the Division of Mines and Reclamation with the Division of Oil and Gas.
• Made fiscal changes to the Reclamation Supplemental Forfeiture Fund, the Surface Mining Administrative Fund, and the Coal Mining Administration and Reclamation Reserve Fund.

Comparisons with Other States (As of 04/06)

State/Resource	Rate
California	
Oil and gas	$0.05089 per barrel of oil or 10,000 cubic feet of natural gas.
Timber	2.9% of total immediate harvest value.
Florida	
Oil	5.0% of gross value for small well oil and tertiary oil; 8.0% of gross value for all other oil; escaped oil, 12.5% additional.
Gas	$0.0377 per Mcf of gas (1,000 cubic feet) produced and sold or used by a producer.
Sulfur	$3.44 per long ton.
Minerals (except phosphate rock and heavy minerals)	8.0% of market value.
Phosphate rock	$1.69 per ton.
Heavy minerals	$2.93 per ton.
Illinois	
Timber	4.0% of purchase price.
Indiana	
Petroleum, oil, gas, and other hydrocarbons	The greater of 1.0% of value, $0.03 per 1,000 cubic feet, or $0.24 per barrel.

Severance Tax

Comparisons with Other States (As of 04/06)

State/Resource	Rate
Kentucky	
Oil	4.5% of market value.
Coal*(1)* and other natural resources	4.5% of gross value; the minimum tax for a reporting period is an amount determined by applying a rate of $0.50 per ton to the total number of tons severed.
Limestone used in cement	$0.14 per ton.
Clay	$0.12 per ton.
Michigan	
Oil	6.6% of gross cash market value; 4.0% of gross cash market value for stripper well crude oil and crude from marginal producing properties.
Gas	5.0% of gross cash market value. An additional fee not to exceed 1.0% of gross cash market value is levied on both oil and gas.
Texas	
Gas*(2)*	7.5% of market value.
Oil and gas condensate*(2)*	4.6% of market value or 4.6 cents per 42-gallon barrel, whichever is more.
Recovered oil rate	2.3% of market value.
Sulfur	$1.03 per long ton.

Notes: *(1)Coal used for burning solid waste is taxed at $0.50 or 4.0% percent of the selling price per ton. (2)Rates shown do not include additional oil field and gas field clean-up fees.*

Severance Tax

Comparisons with Other States (As of 04/06)

State/Resource	Rate
West Virginia	
(gross receipts tax)	
Coal*(3)*	5.0% of gross market value.
Coal refuse (or gob piles)	2.5% of gross market value.
Coal methane	5.0% of gross market value.
Limestone and sandstone	5.0% of gross market value.
Oil	5.0% of gross market value.
Natural gas	5.0% of gross market value.
Timber	3.22% of gross market value.
Other natural resources	5.0% of gross market value.

Massachusetts, New Jersey, New York, and **Pennsylvania** do not have severance taxes.

Notes: *(3)Rate shown includes a 0.35% additional county and municipal severance tax on coal. However, the rate shown does not include the following: 14 cents per ton of clean coal mined through a surface mine operation; 2.0 cents per ton on all coal mined in the state (coal production privilege tax).*

Local Taxes

Admissions Tax

Taxpayer
Operators of movie theaters, theme parks, professional sporting events, and other activities for which there is an admissions charge.

Tax Base
Although there is no state tax on admissions, a number of municipalities levy a tax on admissions to theaters, sporting events, and other places of amusement. Admissions are not subject to sales tax in Ohio.

Rates
Admissions tax rates vary among municipalities from 0.5% to 8.0%. However, approximately 73.4% of all municipalities' rates are at 3.0%.

In 2003, the last year for which data is available, 64 municipalities levied an admissions tax, comprising 50 cities and 14 villages.

Major Exemptions
Admissions to events sponsored by the state or other public institutions.

Revenue (In Millions)

Calendar Year	Total
1999	$18.3
2000	23.0
2001	21.7
2002	22.0
2003	21.9

Disposition of Revenue
All revenue collections are kept by the municipality.

Payment Dates/Special Provisions and Credits/Filing Procedures
For information on filing and payment of admissions taxes, as well as information on any provisions or credits affecting admissions taxes, contact the city or village in which an activity subject to the taxes is located.

Admissions Tax

Sections of Ohio Revised Code
Section 715.013.

Responsibility for Administration
As determined by legislative authority of a municipality.

History of Major Changes
1994 • Municipalities permitted to levy an admissions tax.

Comparisons with Other States (As of 01/06)
In most states, admissions are subject to sales tax.

California
Admissions are exempt from sales tax. Operators of stadiums within the city and county of San Francisco are subject to a tax of $0.50 or $1.50 per ticket (depending on ticket price).

Florida
Admissions charges are subject to sales tax only.

Illinois
Admissions or "amusement" taxes vary among municipalities; highest rate currently in effect is 8.0%. Chicago charges a rate of 4.0% or 8.0%, depending on the size of the facility or hall.

Indiana
Certain counties may authorize the tax. Tax rates and base vary. Marion County imposes a 6.0% tax on the admission price of any event. Hendricks County imposes a $1.00 tax on the price of admission to an amusement park. Local governments may impose a local outdoor admissions tax of $0.50 per each paid admission when events are held at a facility with a capacity of 10,000 or more.

Kentucky
Admissions subject to sales tax. Fiscal courts may impose a 10% surcharge on certain multi-purpose arena admissions.

Massachusetts
No state admissions tax, and admissions are exempt from sales tax.

Admissions Tax

Comparisons with Other States (As of 01/06)

In most states, admissions are subject to sales tax.

Boston:
A 5.0% surcharge is imposed on the price of tickets for water-based sightseeing, entertainment cruises or tours, and tourist venues. Tickets on local ferries carry a $0.50 embarkation fee.

Michigan
No special admissions tax, and admissions are exempt from sales tax.

New Jersey
Admissions are subject to sales tax. A 10% impact fee is charged on all tickets sold by the New Jersey Nets basketball team.

Atlantic City:
A 9.0% luxury tax is imposed on all live theater performances (shows and movies), amusement piers, exhibition facilities, and other places of amusement. The state sales tax is reduced to 3.0% when the luxury tax is imposed.

Cape May County:
A 2.0% county tourism tax is imposed on all theater performances (live stage shows and movies), nightclubs and cabarets, sporting events, amusement rides, amusement piers, exhibition facilities, and other places of amusement.

New York
Admissions subject to sales tax only. The cities of Lockport, Niagara Falls, and Niagara County all levy a 7.0% tax on admissions to clubs and cabarets.

Pennsylvania
Admissions taxes vary among municipalities. Current rates in effect range from 5.0% to 10% of admissions price.

Texas
Admissions are subject to sales tax. Municipalities have permissive authority to levy an admissions tax of up to 10% on all sporting and community events held at a state-approved facility.

Admissions Tax

Comparisons with Other States (As of 01/06)
In most states, admissions are subject to sales tax.

West Virginia
Local governments may impose an admissions tax with a maximum rate of 2.0%. Admissions are subject to sales tax.

Alcoholic Beverage Taxes-County

Taxpayer
(See **Alcoholic Beverage Taxes** section in the **State Taxes** portion.)

Tax Base
Beer, wine, mixed beverages, and liquor.

Rates

Beer	Up to 16 cents per gallon
Wine and mixed beverages	Up to 32 cents per gallon
Apple cider (alcoholic content over 0.5% by volume)	24 cents per gallon
Liquor	Up to $3.00 per gallon

Cuyahoga County is currently levying each tax at the maximum rate. It is the only county levying these taxes.

Major Exemptions
- Sacramental wine.
- Sales to the federal government.

Revenue (In Millions)

Fiscal Year	Beer	Wine and Mixed Beverages	Liquor	Admin. Fund	Total
2001	$4.8	$0.9	$4.6	$0.1	$10.4
2002	5.1	1.0	4.6	0.1	10.8
2003	4.9	1.0	4.6	0.1	10.6
2004	4.5	1.0	4.6	0.1	10.2
2005	4.9	1.0	4.9	0.1	10.9

Disposition of Revenue
- 98% is allocated to the county or development corporation to operate or service the debt of a sports facility.
- The remaining 2.0% is allocated to the Department of Taxation for the administration of the tax.

Payment Dates
(See **Alcoholic Beverages Taxes** section in the **State Taxes** portion.)

Special Provisions/Credits
2.5% discount for timely payment of beer, wine and mixed beverage taxes.

Alcoholic Beverage Taxes-County

Sections of Ohio Revised Code
Sections 307.696, 307.697, 4301.102, and 4301.421.

Responsibility for Administration
- Tax Commissioner (beer, wine and mixed beverages).
- Ohio Department of Commerce, Division of Liquor Control (liquor).

History of Major Changes
1986 • County sports facility liquor tax authorized.

1990 • County sports facility beer, wine, and mixed beverage tax authorized. County sports facility liquor tax amended.
• Voters of Cuyahoga County enacted county tax on beer, wine, and liquor at the maximum rate to run through July 31, 2004.

1995 • Counties permitted to enact alcoholic beverage taxes to be effective after a current levy expires.
• County convention facility authority authorized to propose a tax with voter approval.
• Tax on apple cider reduced.
• Voters of Cuyahoga County extended the taxes for ten years. The tax is scheduled to expire July 31, 2014.

Comparisons with Other States (As of 01/06)*
Note: **Percentages refer to alcohol content, which is measured by volume.*

Illinois
Cook County:

Beer	6.0 cents per gallon
Alcoholic beverages (less than 14%)	16 cents per gallon
Alcoholic beverages (14% to 20%)	30 cents per gallon
Alcoholic beverages (more than 20%)	$2.00 per gallon

Alcoholic Beverage Taxes-County

Comparisons with Other States (As of 01/06)*
Note: **Percentages refer to alcohol content, which is measured by volume.*

Chicago (in addition to Cook County tax):

Beer	16 cents per gallon
Liquor (less than 14%)	20 cents per gallon
Liquor (14% to 20%)	50 cents per gallon
Liquor (more than 20%)	50 cents per gallon

Peoria (city and county):
The city of Peoria taxes the purchase of food and alcohol served at a restaurant or tavern at the rate of 2.0%, and the county imposes a tax of 0.5%.

New York
New York City:

Beer	12 cents per gallon
Liquor	26.4 cents per liter

New Jersey
Atlantic City: a "luxury" tax of 3.0% of the retail price is charged on sales of alcoholic beverages.

West Virginia
Every municipality has plenary power to levy and collect a tax up to 5.0% of the purchase price of intoxicating liquors.

California, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, and **Texas** do not have a local tax on alcoholic beverages.

Cigarette Tax-County

Taxpayer
(See **Cigarette and Other Tobacco Products Tax** section in the **State Taxes** portion).

Tax Base
Cigarettes.

Rate
- Up to 0.225 cent(s) per cigarette (4.5 cents per pack of 20 cigarettes).

Cuyahoga County, the only county levying the tax, is currently levying this tax at the maximum rate.

Major Exemptions
None.

Revenue (In Millions)

Fiscal Year	Revenue	Adm. Fund	Total
2001	$4.9	$0.1	$5.0
2002	4.8	0.1	4.9
2003	4.4	0.1	4.5
2004	4.3	0.1	4.4
2005	4.2	0.1	4.3

Disposition of Revenue
- 98% is distributed to the county or development corporation to operate or service the debt of a sports facility.
- 2.0% is distributed to the Department of Taxation for the administration of the tax.

Payment Dates
(See **Cigarette and Other Tobacco Products Tax** section in the **State Taxes** portion).

Special Provisions/Credits
(See **Cigarette and Other Tobacco Products Tax** section in the **State Taxes** portion).

Sections of Ohio Revised Code
Sections 307.696, 307.697, and 5743.024.

Cigarette Tax - County

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1986 • County sports facility cigarette tax authorized.

1990 • Voters of Cuyahoga County enacted a tax at a rate of $0.045 per pack of 20 cigarettes to run through July 31, 2005.

1995 • Counties permitted to enact cigarette tax to be effective after a current levy expires.
- Tax levy by a county convention facility authority permitted.
- Voters of Cuyahoga County extended the tax for ten years. Tax is due to expire July 31, 2015.

Comparisons with Other States (As of 03/06)

Illinois	
Cook County :	$2.00 per pack
Chicago, additional	68 cents per pack
Evanston, additional	50 cents per pack
New Jersey	
Atlantic City	3.0 cents per pack
New York	
New York City	$1.50 per pack

California, Florida, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, Texas, and **West Virginia** do not have a local tax on cigarettes.

Grain Handling Tax

Taxpayer
Anyone receiving or purchasing grain in Ohio.

Tax Base
Each bushel of grain received or purchased for storage, sale, or processing in Ohio.

Rates
- 0.50 mill per bushel for wheat and flax.
- 0.25 mill per bushel for all other grain.

Major Exemptions
- Public utilities.
- Track buyers (those who buy and sell grain but never take possession of it).
- Farmers raising and storing grain for use on the farm.
- Transactions guaranteeing warehouse receipts for security only.

Revenue (in Actual Dollars)

Calendar Year	Flax and Wheat	Other Grains	Total Taxes
2000	$60,033	$174,761	$234,794
2001	61,358	169,585	230,943
2002	57,081	172,322	229,403
2003	59,638	158,305	217,943
2004	68,180	119,805	187,985

Disposition of Revenue
Distributed to local taxing jurisdictions in proportion to the property tax rates levied by each jurisdiction.

Payment Dates
- Taxpayers with property in only one county pay one-half of their tax liabilities on or before April 30, and the remainder by September 20, to the county treasurer.
- Taxpayers with property in more than one county pay their tax liability in one installment by September 20, to the Department of Taxation.

Special Provisions/Credits
None.

Sections of Ohio Revised Code
Chapter 5737.

Grain Handling Tax

Responsibility for Administration

- Tax Commissioner and County Auditor:
  Share responsibility for returns of taxpayers with property in only one county.
- Tax Commissioner:
  Exclusive responsibility for returns of taxpayers with property in more than one county.

History of Major Changes

1935 • Grain handling tax enacted.

2005 • Grain handling tax phased-out over two years. Rate for wheat and flax handled for tax year 2006 is one-fourth mill per bushel handled. Rate for all other grains handled for tax year 2006 is one-eighth mill per bushel. No returns due for tax year 2007 and thereafter.

Comparisons with Other States (As of 01/06)

None of the surrounding or major states have a comparable tax or treat grain in a similar manner.

Individual Income Tax-School District

Taxpayer
Every individual residing in, and every estate of a decedent who at the time of death was residing in, a school district that levies the tax.

Circleville City School District:
Every individual residing in, and every estate of a decedent who at the time of death was residing in, the Circleville City School District and having wages and/or self employment income is subject to the tax.

Tax Base
Ohio adjusted gross income less $1,350 per exemption for tax year 2005 (the exemption amount is indexed for inflation).

The tax base for residents of the Circleville City school district is wages and self employment income. Residents of the CCSD are not entitled to the exemption.

Rates
Multiples of 0.25%. The rate must be approved by a vote of the school district residents before implementation. Current rates range from 0.5% to 2.0% in 153 districts that have a school district income tax in effect as of January 2006.

Revenue (In Millions)

Fiscal Year	Revenue*(1)*	Admin. Fund*(2)*	Total
2001	$152.7	$2.4	$155.1
2002	144.6	2.3	146.9
2003	141.9	2.3	144.2
2004	155.9	2.5	158.4
2005	180.8	2.9	183.7

Notes: *(1)For subsequent distribution to school districts. (2)Money is deposited into the Administration Fund before refunds are made.*

Disposition of Revenue
The Tax Commissioner returns all revenue collected to the school district, less 1.5% retained for administrative purposes.

Individual Income Tax - School District

Payment Dates
Same as state individual income tax and state withholding tax, except larger withholders remit monthly, rather than on a partial weekly basis. Individual taxpayers must file a quarterly estimated return if they expect to be under-withheld by more than $500 for the combined school district and Ohio individual income taxes.

Special Provisions/Credits
Senior citizen credit:
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.

Sections of Ohio Revised Code
Chapters 5747 and 5748.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1979 • General Assembly granted school districts authority to levy an income tax solely for repaying a state loan (no school district ever used this authority).

1981 • Current law enacted.

1983 • Certain provisions of the law repealed so that no additional school districts could enact the tax. Any school district enacting the tax prior to August 3, 1983 could continue to levy the tax (six did so).

1989 • General Assembly reinstated provisions of the law allowing additional school districts to levy the tax.
• $50 senior citizen credit allowed.

1991 • Income taxes permitted for a finite period of time, in addition to continuing.
• Taxation of state retirement income clarified.

1992 • Permitted an income tax levy and property tax reduction on a single ballot issue.

Individual Income Tax - School District

1995 • Personal exemption increased to $750 per taxpayer and spouse and $850 per dependent for 1996; these amounts increased to $850 and $1,050, respectively, in 1997.

1996 • Personal exemption for taxpayer and spouses raised to $950 in 1998 and $1,050 in 1999.

1997 • Personal exemption indexed for inflation beginning in 2000.

2004 • School District Income Tax Fund credited with interest earned by monies in the fund; interest income distributed with tax collections to districts that levy the tax.
• "The Finder" application added to the Department of Taxation web site (**tax.ohio.gov**), enabling taxpayers to locate their school district of residence by their address.

2005 • Ohio Revised Code Chapter 5748 amended to allow the option of approving the taxable base as earned income or traditional (Ohio adjusted gross income); Circleville City School District is currently the only district levying the tax with an earned income base.

Comparisons with Other States (As of 01/06)
Kentucky
Local school boards may levy an occupational license tax on compensation of individuals or on net profits of business at a rate up to 0.5%. However, in counties with a population over 300,000 the tax rate can be up to 0.75%. Local school boards may also levy an excise tax not to exceed 20% of a county resident's state individual income tax liability.

Michigan
School districts are authorized to impose a "piggyback" tax on the city income tax, but no such tax is currently levied.

Pennsylvania
Pittsburgh:
The Pittsburgh School District levies an income tax at 2.0% on earned income and net profits. Nonresidents are not taxed.

Individual Income Tax - School District

Comparisons with Other States (As of 01/06)

Philadelphia:

The Philadelphia School District levies an "investment income tax" of 4.331% on the net income from the ownership, lease, sale, or other disposition of real property and tangible and intangible personal property, including the net income paid to any beneficiary of a trust or estate and the income of any trust or estate of which such person is the substantial owner. The tax is imposed only on residents.

California, Florida, Illinois, Indiana, Massachusetts, New Jersey, New York, Texas, and **West Virginia** do not have a school district income tax.

Lodging Tax

Taxpayer
Operators of hotels, motels, rooming houses, and other facilities providing lodging accommodations for transient guests.

Tax Base
All transactions by which lodging in a hotel, motel, rooming house, and other lodging accommodations are furnished to transient guests.

Rates
The maximum combined tax rate permitted in most locations is 6.0%. However, due to the enactment of special lodging taxes in some counties, the maximum combined tax rate sometimes exceeds 6.0%.

These counties and the highest combined tax rates (as of December 31, 2004) are: Cuyahoga (7.5%), Fairfield (7.5%), Franklin (10.0%), Guernsey (9.0%), Hamilton (10.5%), Lucas (11.0%), Muskingum (8.0%), and Summit (7.5%).

In 2004, the last year for which data is available, 60 counties, 120 townships, and 162 municipalities (126 cities and 36 villages) levied a lodging tax. Rates ranged from 1.0% to 6.0%, but approximately 79.8% were at 3.0%.

Counties:
Under a 1980 law, counties may enact a tax of up to 3.0% to be levied only in those municipalities or townships which have not already enacted a tax authorized by a 1967 law. In addition, various special county lodging taxes have been authorized under state law. Most of these special county lodging taxes could only be adopted by a board of county commissioners during a limited time period. Furthermore, revenue produced from these county taxes could be used only for specified purposes (not for the county general fund).

Municipalities and Townships:
Under a 1967 law, municipalities and townships are permitted to enact a lodging tax of up to 3.0%. Under a law enacted in 1980, municipalities and townships may also levy up to an additional 3.0% lodging tax. Therefore, municipal and township lodging taxes have a maximum 6.0% rate.

Lodging Tax

Under a 2002 law, during a limited time period the most populous municipality located in a county that enacted a special 2002 lodging tax levy could levy a tax of up to 1.0% for convention facility purposes.

Under a 2005 law, a county where a lodging tax is already in effect may adopt a resolution to levy an additional lodging tax up to 3.0% to construct and equip a convention center in the county. Additionally, certain convention center facilities authorities in Appalachian counties with populations less than 80,000 may levy a lodging tax at any rate up to 3.0%, and a county with a population of 1,200,000 or more may levy a tax on lodging by transient guests in a hotel, to pay the cost of constructing, improving, expanding, equipping, financing, or operating a convention center.

County Convention Facility Authorities (CFA):
CFAs were permitted to enact an additional lodging tax of up to 4.0% only during a designated six-month period of calendar year 1988 for financing a new convention or sports center. An additional 0.9% rate was allowed to be imposed as long as this tax and the municipal or township tax authorized by the 1967 law did not exceed 3.0%. The Franklin County CFA enacted a 4.9% tax in the city of Columbus and a 4.0% tax in areas of Franklin County outside of Columbus. In addition, the Guernsey County CFA enacted a 3.0% tax and the Muskingum County CFA enacted a 4.0% tax.

Major Exemptions

None.

Revenue (In Millions)

Calendar Year	Total*
1999	$92.5
2000	94.8
2001	92.7
2002	95.5
2003	103.7
2004	106.1

Note: **As reported by counties, townships, and municipalities responding to a Department of Taxation survey.*

Lodging Tax

Disposition of Revenue

Under the lodging tax authorized in 1967, all revenue collections are deposited in the general revenue fund of the municipality or township.

Under the lodging tax authorized in 1980, counties are required to return to municipalities and townships that do not levy any hotel/motel tax a uniform percentage (not to exceed 33 1/3%) of revenue generated within the municipality and township. The remainder of the revenue is to be deposited in a separate fund to be used for county convention and visitors bureau expenses.

Municipalities and townships are required to allocate at least one-half of the revenues from a lodging tax authorized in 1980 for convention and visitors bureaus located within the county. Remaining revenues are retained by the municipality or township and deposited into the local general revenue fund.

All revenue from a CFA lodging tax levy is for constructing, equipping, and operating a convention or sports center. Revenue from a special county or municipal lodging tax is to be used for the purpose designated for that tax levy in state law.

Payment Dates

Monthly or quarterly.

Special Provisions/Credits

Counties are authorized to enact a lodging tax of up to 3.0%, but if a municipality or township within the county already has the tax authorized by the 1980 law, those areas are not subject to the county tax.

Sections of Ohio Revised Code

Sections 307.695, 351.021, 505.56, 505.57, 5739.08, and 5739.09.

Responsibility for Administration

County commissioners, township trustees, legislative authority of a municipality, and/or convention facilities authority.

History of Major Changes

1967 • Municipalities and townships permitted to levy a lodging tax of up to 3.0%.

Lodging Tax

1980 • Counties permitted to levy a lodging tax of up to 3.0%, except where a municipality or township located wholly or partly within the county already has the tax; municipalities and townships were authorized to enact an additional tax of up to 3.0% if the county tax was not in effect.

1985 • Between July 15, 1985 and October 15, 1985, counties permitted to levy up to an additional 3.0% lodging tax for convention center construction (Lucas County enacted such a tax).

1988 • Between June 29, 1988 and December 31, 1988, a Convention Facilities Authority permitted to levy up to an additional 4.0% lodging tax for financing a new convention or sports center (Franklin County CFA and Muskingum County CFA enacted a 4.0% tax, and the Guernsey County CFA enacted a 3.0% tax).

• Additionally, a Convention Facilities Authority permitted to enact an additional tax of up to 0.9% for the same purpose as above, but this tax plus a municipal or township tax under the original 1967 law could not exceed 3.0%. Any municipality or township that already had a tax under the original law had to agree to this additional tax (Franklin County CFA and the city of Columbus joined together to approve this tax.)

1992 • Between December 22, 1992 and March 21, 1993, counties permitted to levy an additional 1.5% lodging tax for financing a port authority educational and cultural facility (Cuyahoga County enacted such a tax).

1993 • Between June 30, 1993 and September 30, 1993, counties authorized to enact an additional 1.5% tax for the acquisition, construction, and equipping of a municipal educational and cultural facility (Summit County and Fairfield County enacted such a tax).

1994 • Revision of the 1980 law authorized counties to enact a lodging tax of up to 3.0% in those areas of the county where a municipal or township tax had not been levied under the 1980 law.

Lodging Tax

1997 • A board of county commissioners permitted to impose an additional tax of up to 2.0%, with the revenue designated for the county convention and visitors bureau.

1998 • Between March 18, 1999 and May 2, 1999, a board of county commissioners permitted to impose an additional tax of up to 4.0% with all revenue distributed to the Convention Facilities Authority for a new convention facility (Richland County imposed this tax but repealed it in 2001).

2001 • By resolution enacted between January 4, 2001 and July 3, 2001, a board of county commissioners levying the municipal education and cultural facility lodging tax could instead use the tax levy proceeds on a port authority educational and cultural performing arts facility (once the tax is no longer needed for its original purpose).
- A board of county commissioners, board of township trustees, or legislative authority of a municipal corporation permitted to adopt a resolution specifying that, for lodging tax purposes, a "hotel" may include those establishments with fewer than five rooms for accommodation of guests.
- Lodging tax regulations permitted to prescribe a penalty and/or interest for late payments.

2002 • By resolution enacted between September 9, 2002 and September 30, 2002, a board of county commissioners permitted to impose an additional tax of up to 3.5% with all revenue to be used for constructing or operating a convention facility. The levy could only be imposed if the board of county commissioners established a Convention Facilities Authority on or before May 15, 2002. The levy could only be imposed if the county levied the "standard" (1980 law) county lodging tax at a 3.0% rate as of June 30, 2002 (Hamilton County enacted such a tax).
- Between September 9, 2002 and September 30, 2002, the largest municipality located in a county imposing the special 2002 convention center tax levy could enact an ordinance imposing an additional tax of up to 1.0% for constructing or operating a convention facility (the city of Cincinnati enacted such a tax).

Lodging Tax

2003 • A board of county commissioners of a county with a population of at least one million persons permitted to do any or all of the following for the purpose of revenue for a convention facility and (if an agreement is reached between the board and municipalities within the county) for capital improvements: adopt a resolution to increase the existing county lodging tax levy to no more than 5.0%; adopt a resolution before August 1, 2004 to use revenue from an existing county lodging tax levy; and adopt a resolution to use the revenue from an existing port authority educational and cultural facility tax levy, and to extend the levy by 40 years.

2005 • Counties with a lodging tax already in effect authorized to levy an additional lodging tax up to 3.0% to construct and equip a convention center.
• Convention facilities authorities in Appalachian counties with populations less than 80,000 authorized to levy a lodging tax at any rate up to 3.0%, and a county with a population of 1,200,000 or more authorized to levy a tax on lodging by transient guests in a hotel, to construct, improve, expand, equip, finance, or operate a convention center.

Comparisons with Other States (As of 01/06)
California
Cities and counties are authorized to levy a tax on the privilege of occupying a room in a hotel, inn, motel, or other lodging (including campsites). When levied by a county, the tax is only applicable to the unincorporated areas of the county.

Florida
Counties are authorized to enact an array of taxes on lodging: surtax on sleeping arrangements, tourism development taxes, tourist impact tax, and convention development taxes. The maximum combined total rate currently in effect is 21%.

Lodging Tax

Comparisons with Other States (As of 01/06)

Illinois

In general, municipalities and counties can impose a tax of up to 5.0% of gross rental receipts. The city of Chicago, however, can impose the following tax levies: the Metropolitan Pier and Exposition Authority hotel tax at 2.5%; the occupancy tax at 3.0%; the sports facilities tax at 2.0%; and the municipal hotel tax at 1.0%.

Indiana

Counties are able to impose a tax on lodging with a maximum rate of 5.0%. However, counties that pass an innkeeper's tax may levy a tax rate greater than 6.0%. Fifty-two counties levy an innkeeper's tax.

Kentucky

Local governments may charge a tax on the rental of transient lodging facilities. The rate may range between 1.0% and 7.0%, depending on location, class of government, and the existence of a local tourist and convention facility.

Massachusetts

The state imposes a tax of 5.7%, while localities have the option of imposing an additional tax of up to 4.0%.

Michigan

Local governments may impose a tax of up to 5.0%. Convention and tourism bureaus can enact a tax of up to 2.0% or 4.0%; special provisions apply regarding population. With voter approval, eligible municipalities may enact a tax of up to 1.0%. In addition, a convention facility development tax with a rate of 1.5% to 6.0% may be imposed on accommodations.

New Jersey

Municipalities, with certain exceptions, may enact a municipal occupancy tax at a rate up to 3.0%. Municipalities where an international airport terminal is located may enact a tax of up to 6.0%. Municipalities may also establish tourism development tax districts and enact a tax not to exceed 2.0% (limitations apply) and a tourism lodging tax of 1.85%. Atlantic City imposes a 9.0% luxury tax on transient lodging facilities. The state also imposes a 1.0% to 5.0% state occupancy tax, depending on the local rate.

Lodging Tax

Comparisons with Other States (As of 01/06)

New York

Three specific locations have rates of 7.0%: Lockport, Niagara County and the city of Niagara Falls. The city of Saratoga Springs imposes a hotel occupancy tax of 5.0%. New York City's rate is 5.0% plus an additional tax of $0.50 to $2.00 based on the daily rental rate. Long Beach and Nassau County levy an 8.5% rate.

Pennsylvania

Counties that meet certain requirements are authorized to impose a tax with a rate ranging from 3.0% to 12.0%; limitations apply. The city of Philadelphia currently has an 8.0% hotel tax; the Philadelphia city council is also authorized to levy a tax up to 6.0% to fund a convention center.

Texas

State rate is 6.0%. The maximum county rate is 7.0%. Counties may impose a tax of up to 9.0%, depending on location, size, and population, and the presence of a city within the county borders. A municipality may impose a tax of up to 7.0%; this maximum is raised to 9.0% for a city that has created a capital improvement plan to expand an existing convention facility.

West Virginia

Cities and counties are able to impose the tax up to 3.0% of the cost of hotel rooms if occupancy is less than 90 days.

Manufactured Home Tax

Taxpayer
All manufactured or mobile home owners not specifically exempt.

Tax Base
If sitused in Ohio prior to January 1, 2000, the assessed value of a manufactured or mobile home is 40% 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 (from one of two alternative schedules).

If a home is first sitused in Ohio or has ownership transferred on or after January 1, 2000, it is assessed at 35% of true value (like real property). This also applies to homes located in Ohio before January 1, 2000, if the owner makes an election to have the home taxed like real property.

Manufactured or mobile homes used in a business are taxed as tangible personal property.

Rates
The rate consists of the total of local voted tax levies on real property. The minimum amount of tax is $36 per year for homes taxed under the depreciation schedules, unless the home qualifies for the homestead exemption, in which case no minimum exists.

Major Exemptions
A manufactured or mobile home is not subject to this tax when:

- It is taxable as tangible personal property.
- It is a travel trailer (not exceeding 35 feet in length) or a park trailer meeting certain conditions.
- It is licensed in another state, unless it is located in Ohio for more than 30 days in any calendar year.
- It is taxed as real property.
- It is exempt from taxation under Chapter 5709 of the Ohio Revised Code.

Manufactured Home Tax

Revenue (In Millions)*

Calendar Year	Taxes Levied
2000	$35.1
2001	30.8
2002	25.3
2003	20.9
2004	18.0

Note: **Excludes manufactured homes taxed as real property.*

Disposition of Revenue
Revenue is distributed to the taxing subdivisions of each county in the same manner as other real estate and public utility taxes are distributed. However, 4.0% goes to the county auditor and 2.0% goes to the county treasurer as reimbursement for administrative costs.

Payment Dates
If the manufactured or mobile home is located in the state on January 1, one-half of the tax is due by March 1, and the balance is due by July 31. If the home is not located in Ohio on January 1, then no tax is due for that year.

The Tax Commissioner may grant extensions of the aforementioned due dates upon application by a county treasurer alone or by a county auditor and county treasurer together. An approved application extends the due date for the payment and collection of taxes.

Special Provisions/Credits
The homestead exemption is granted to qualified elderly and disabled homeowners. (See **Property Tax – Real** section.)

Sections of Ohio Revised Code
Sections 4501.01, 4503.06 - 0611, and 4503.99.

Responsibility for Administration
County auditor, county treasurer, and Tax Commissioner.

History of Major Changes
1925 • Tax enacted.

Manufactured Home Tax

1963 • Distinction drawn between taxes levied on furnished and unfurnished trailers.

1969 • Depreciation schedule allowances increased.

1980 • Collection of taxes owed required prior to a transfer of a certificate of title.

1984 • "House trailers" renamed "manufactured homes."

1986 • Homestead exemption for certain manufactured home owners enacted, effective tax year 1988.

1995 • The limit of each homestead exemption income bracket increased by $4,300 beginning in tax year 1996.

1999 • Used manufactured and mobile homes subjected to transfer fees and taxes beginning January 1, 2000.
- A board of county commissioners permitted to reduce transfer tax rates for manufactured or mobile home owners who receive the homestead exemption.
- Income brackets increased for the homestead exemption.
- The income brackets (tax year 2000) and the taxable value reductions (tax year 2002) to be indexed in future tax years.
- If a manufactured or mobile home is first located in Ohio or ownership is transferred on or after January 1, 2000, the home must be taxed like real property, while remaining on the manufactured home tax list, using the same tax rates and credits applied to residential real property.
- Manufactured or mobile homes that are located in Ohio prior to January 1, 2000 to remain subject to depreciation method of taxation, unless the owner elects to have the home taxed like real property.
- Before moving a manufactured or mobile home, the owner must obtain a relocation notice from the county auditor and pay the outstanding taxes charged against the home.

2003 • Manufactured home park operators permitted to remove an abandoned home from the park for sale or destruction.

2004 • Ohio Manufactured Homes Commission established to

Manufactured Home Tax

regulate the installation of manufactured housing in Ohio, including licensing and training of installers. The commission was also charged with setting a statewide standard for a permanent foundation to which a manufactured or mobile home must be affixed before it can be converted to real property.

Comparisons with Other States (As of 01/06)

California

Base: Manufactured/mobile homes on permanent foundations are taxed as real property. Mobile homes not on permanent foundations are taxed as personal property.

Rate: Total of local tax levies. Maximum amount of tax on real property cannot exceed 1.0% of full cash value. All other manufactured/mobile homes are subject to a motor vehicle license fee at a rate of 2.0% of the market value of the manufactured/mobile home.

Florida

Base: Assessed and taxed as real property if permanently affixed to property; the owner of the mobile home must also be the owner or part-owner of the land.

Rate: The total tax rate includes all lawful state and local levies.

Illinois

Base: Assessed as real property if permanently affixed to property.

Rate: Excluding those counties with two million inhabitants or more, a privilege tax is charged based on square footage and age of model; it ranges from $0.15 - $0.75 per square foot.

Indiana

Base: Assessed and taxed as real property if attached to permanent foundations or located on owner's land. Mobile homes not meeting these requirements are assessed as personal property.

Rate: The total tax rate includes all lawful state and local levies.

Kentucky

Base: Classified as real property and assessed at 100% fair cash value.

Rate: The total tax rate includes all lawful state and local levies.

Manufactured Home Tax

Comparisons with Other States (As of 01/06)

Massachusetts

Base: If located in a licensed manufactured home park, then it is exempt from real property but is subject to a monthly fee. A mobile home affixed to real estate and used as a permanent residence is real property.

Rate: The total tax rate includes all lawful state and local levies.

Michigan

Base: Assessed as real property if without a fixed under-carriage. If located in a mobile home park, it is taxed as a trailer coach at a rate of $3.00 per month.

Rate: Total of local tax levies; a state education tax is imposed at 6.0 mills while the total cannot exceed 15 mills.

New Jersey

Base: When affixed to the land on a permanent foundation or connected to utility systems, assessed as real property at a percentage of true value not lower than 20% or higher than 100%. A manufactured home installed in a "mobile home park" is subject to an annual municipal service fee instead of taxed as real property.

Rate: Total of local tax levies with limitations imposed.

New York

Base: Mobile homes that are or can be used for residential, commercial, or office purposes and are located within the assessing unit for 60 or more days are assessed as real property at full market value; uniform percentages of value vary by taxing units.

Rate: Total of local tax levies.

Pennsylvania

Base: Assessed as real property if permanently attached to land or connected to utility systems for over three years.

Rate: Total of local tax levies.

Manufactured Home Tax

Comparisons with Other States (As of 01/06)

Texas

Base: If the owner of the home and land is the same, then the tax is assessed as real property (full market value). If the owner of the home and land are different (property leased/rented), the home is taxed as personal property.

Rate: Total of local tax levies.

West Virginia

Base: If the home is affixed to land, the owner of the land is the same, and the owner also occupies the home, then it is taxed as residential real property. All real property is assessed at 60% percent of market value. If the home is occupied by the owner, but located on land owned by another owner, it is taxed as personal property at its true and actual value.

Rate: Total rate charged is the aggregate rate of all state, county, city, and special taxing district levies.

Municipal Income Tax

Taxpayer
For most taxpayers, wages and salaries are subject to withholding by the employer who sends the payment monthly to the municipality.

Taxpayers who have taxable income on which tax has not been withheld must file quarterly declarations.

The tax also applies to businesses which have net profits earned within the municipality.

Tax Base
The tax is generally imposed on:
- Wages, salaries, and other compensation earned by residents of the municipality and by nonresidents working in the municipality.
- Net profits of business (both incorporated and unincorporated) attributable to activities in the municipality or, if that cannot be determined, net profits apportioned using equal weighting of property, payroll, and sales inside the municipal corporation relative to those factors for the business everywhere.

Rates
State law requires a flat rate within a municipality. The rate is determined locally. The maximum rate without voter approval is 1.0%.

In 2004, the last year for which data is available, 556 municipalities (234 cities and 322 villages) levied the tax. Rates ranged from a low of 0.30% to 2.85%.

Major Exemptions
State law requires exemption of:
- Military pay or allowances.
- Income of religious, charitable, or educational institutions to the extent derived from tax-exempt property or activities.
- Public utilities that are subject to the public utility excise tax.
- Interest and dividends.

In addition, municipalities generally exempt the following:
- Old-age pensions and disability benefits.
- Capital gains and losses.

Municipal Income Tax

Personal exemptions are not granted.

Revenue (In Millions)

Calendar Year	Total
1999	$3,178.8
2000	3,279.2
2001	3,353.9
2002	3,358.5
2003	3,443.7
2004	3,538.3

Disposition of Revenue

Collections are placed into the general fund of the municipality imposing the tax, although some municipalities earmark portions of revenue for capital improvements, bond retirement, and administration of the tax.

Payment Dates

Between January 1 and April 30, taxpayers generally file annual returns, reconciling tax liability with the amount remitted through withholding and estimated payments.

Taxpayers making quarterly estimated payments file an annual return by April 30 of the current taxable year, and quarterly payments are made by April 30, July 31, October 31, and January 31.

Special Provisions/Credits

Partial or full credit can be given to residents who pay municipal income taxes to a different municipality where they are employed.

Prior to 2001, if a school district is at least 95% coterminous with one or more municipalities, a municipal income tax can be passed for which the revenue is shared with the school district. The city of Euclid is the only municipality to have enacted such a tax, at a rate of 2.38% for the city and 0.47% for the school district. The Ohio General Assembly revoked this authority for all other communities effective December 2000.

Section of Ohio Revised Code

Chapter 718.

Municipal Income Tax

Responsibility for Administration

Municipality imposing the tax or a central collection agency representing various municipalities.

History of Major Changes

1946 • Toledo enacted first tax.

1957 • General Assembly enacted Uniform Municipal Income Tax Law establishing wide regulations.

1987 • Municipality prohibited from imposing a tax on intangible income. Taxes already in effect permitted through tax year 1988, unless made permanent by referendum. Two municipalities used this option and continued to tax intangible income.

1992 • Municipalities authorized to grant job creation credits.

1993 • Authorized municipal income taxes to be shared with a school district.

1997 • Municipalities permitted to exempt stock options.

1999 • Effective January 1, 2002, electric utilities made subject to tax.
- More uniform standards established.
- Beginning in 2001, a nonresident working 12 or fewer days in the municipality is not subject to its municipal income tax. The 12-day rule does not apply to professional athletes, entertainers, or their promoters.
- Beginning in 2003, a municipality that taxes pass-through entities required to grant to resident taxpayers a credit for taxes paid by a pass-through entity to another municipality if the pass-through entity does not conduct business in the municipality where the taxpayer resides.
- Tax Commissioner made responsible for administration of the tax as it applies to electric companies.

2000 • No new joint municipal/school district taxes permitted.

2003 • Effective January 1, 2004, telephone companies made subject to tax. The Tax Commissioner was made responsible for administration of the tax.

Municipal Income Tax

2004 • Certain single member limited liability companies permitted to elect to be separate taxpayers from their single members.
• Businesses required to add-back tax exempt stock options in the apportionment of their net profits.

Comparisons with Other States (As of 01/06)
California
According to the California revenue and taxation code, no city, county, or municipality may levy a tax based on income. The following taxes are alternatives to an income tax.

Los Angeles:
A business tax is imposed on each person or entity engaged in business within the city of Los Angeles, with the exception of small business owners and creative artists. This tax is based on taxable gross receipts and is calculated according to type of business and amount of gross receipts.

San Francisco:
A 1.5% tax is imposed on an employer's payroll expense. Small businesses and biotechnology businesses (whose tax liability does not exceed $2,500) are exempt.

Indiana
County Adjusted Gross Income Tax:
Counties are authorized to levy a tax on resident individuals at the rate of 0.5%, 0.75%, or 1.0%, and on nonresidents at 0.25%. In addition, eligible counties may adopt a county adjusted gross income tax at the rate of 1.1% or 1.3%. The term of the county adjusted gross income tax is for four years, after which the rate drops to 1.0%. Eligible counties (depending on population size) may impose an additional county adjusted gross income tax at the rate of 0.15%, 0.2%, or 0.25% to fund construction and maintenance of a county jail.

Municipal Income Tax

Comparisons with Other States (As of 01/06)

County Option Income Tax:
Counties are authorized to impose a county option income tax which may be levied initially at 0.2% on resident county taxpayers and at a rate of 0.05% for all other county taxpayers. The rate on resident county taxpayers increases by 0.1% each July 1, until the rate equals 0.6%. A county income tax council may increase the rate from 0.6% to 1.0% in 0.1% annual increments. The rate for nonresident taxpayers is always one-fourth of the resident tax rate.

County Economic Development Income Tax:
Counties are authorized to impose a county economic development tax on residents and nonresidents employed in the county (excluding nonresidents that live in a county with an economic development income tax). The tax rate ranges from 0.1% to a maximum of 0.5%.

The total of a county's economic development tax and the adjusted gross income tax cannot exceed 1.25%; the economic development tax combined with the county option income tax cannot exceed 1.0% except under special circumstances when it could go to 1.25%.

Municipal Option Income Tax:
Eligible municipalities in Lake County may impose a municipal option income tax at a maximum rate of 1.0% on the adjusted gross income of resident taxpayers and a maximum rate of 0.5% on the adjusted gross income of all other municipal taxpayers.

Kentucky

Lexington-Fayette Urban County Government:
Imposes a 2.25% tax on income for work or services performed within the urban county. The tax is also imposed on net profits of businesses and professions conducted within the county.

Louisville and Jefferson County:
An annual license fee is imposed on wages earned by every employee and net profits of all businesses at a total rate of 2.2% (1.25% for the city of Louisville or Jefferson County, and 0.2% for mass transit purposes; plus 0.75% for public school boards in

Comparisons with Other States (As of 01/06)

Jefferson County, including Louisville). Nonresidents are exempt from the additional school board tax.

Michigan

Cities may impose a tax up to the rate of 2.0% on residents and 1.0% on nonresidents. Beginning July 1, 1999 and each July 1 thereafter, Detroit's 3.0% maximum city tax rate on residents is reduced by 0.1% until the rate reaches 2.0%. A corresponding reduction for nonresidents also applies. In 2006, Detroit's tax rate is 2.5% for residents and 1.25% for nonresidents. The rate for nonresidents cannot exceed one-half of the rate for corporations or residents.

New Jersey

Newark:

The city imposes a payroll tax at the rate of 1.0% on all employers having a payroll of more than $2,500 per calendar quarter.

Waterfront Payroll Tax:

The Joint New Jersey-New York Waterfront Commission assesses a payroll tax of up to 2.0%. The tax is imposed on all employers who employ longshoremen, pier superintendents, hiring agents, and port watchmen from within the Port of New York District. The tax is computed on gross payroll with no exceptions.

New York

New York City:

A tax is imposed on residents and part-year residents of the city. Using the same filing status as under the state income tax, the starting point is state taxable income, with basic tax rates for tax year 2006 ranging from 2.907% to 3.648%. Like the state tax, an add-on minimum tax applies to tax preferences subject to the state minimum tax, at a rate of 2.5%.

Yonkers:

The city imposes a personal income tax on its residents and an earnings tax on its nonresidents with wage or self-employment earnings from working in Yonkers. The resident earnings tax equals 5.0% of state tax liability after nonrefundable credits. The nonresident earnings tax equals 0.25% of wages and self-employment earnings.

Municipal Income Tax

Comparisons with Other States (As of 01/06)

Pennsylvania

Pittsburgh:

The city imposes an earned income and net profits tax at the rate of 1.0% on:

(a) salaries, wages, commissions, and other compensation earned by residents, or by nonresidents for services rendered or work done in Pittsburgh; and

(b) the net profits of residents or nonresidents from businesses, professions, or other activities conducted in Pittsburgh. Additionally, the city levies a 0.55% tax on payroll amounts generated as a result of employers conducting business in the city.

Philadelphia:

The city imposes an earned income tax on salaries, wages, commissions, and net profits. The total combined resident tax rate is 4.301%. The total nonresident tax rate is 3.7716%.

Florida, Illinois, Massachusetts, Texas, and **West Virginia** do not allow the imposition of municipal income taxes.

Municipal Income Tax for Electric Light Companies & Telephone Companies

The municipal income tax for electric light companies was enacted by Substitute House Bill 483 and Amended Senate Bill 287 (123rd General Assembly). Effective with an electric company's taxable year that included January 1, 2002, Chapter 5745 of the Ohio Revised Code required municipal income tax reporting for an electric company or an electric light company. An "electric light company that is not an electric company" can elect to be a Chapter 5745 taxpayer for taxable years that include December 31, 2002 and later. Effective for taxable years that begin on or after January 1, 2004, telephone companies became subject to the Chapter 5745 municipal income tax.

Taxpayer
Electric light companies and telephone companies.

Tax Base
The Ohio municipal income tax is based upon a starting point of federal taxable income subject to certain adjustments.

- Taxpayer's adjusted federal taxable income is first multiplied by its Ohio apportionment ratio to determine Ohio income.
- For each municipality in which the taxpayer is subject to the tax, Ohio income is multiplied by the taxpayer's municipal apportionment ratio for that municipality to determine income subject to the municipal income tax in that municipality.

Rates
Chapter 5745 taxpayers pay tax at the rate of each municipality in which the taxpayer has taxable nexus.

Municipal Income Tax for Electric Light Companies & Telephone Companies

Revenue (In Millions)

Calendar Year	Total
2002	$12.3*(1)*
2003	15.4*(2)*
2004	12.1*(3)*
2005	39.0*(4)*

Notes: *(1)Includes $0.6 million distributed to the Municipal Income Tax Administration Fund. (2)Includes $0.5 million distributed to the Municipal Income Tax Administration Fund. (3)Includes $0.2 million distributed to the Municipal Income Tax Administration Fund. (4)Includes $0.6 million distributed to the Municipal Income Tax Administration Fund. Telephone company revenue is included in this total.*

Disposition of Revenue

The Department of Taxation is responsible for the collection of tax and the distribution of funds to the individual municipalities, less an administrative fee.

Payment Dates

The 15th day of April, June, September and December for the four quarterly estimated tax payments. Annual return is due April 15, following the end of the calendar year.

Special Provisions/Credits

Any overpayment shall be credited to the next year tax liability. Refunds may be requested only if the overpayment is likely to exceed the amount of estimated taxes payable by the taxpayer to that municipality during the ensuing 12 months. The Tax Commissioner will notify the municipality, and the municipality will issue the refund of the excess to the taxpayer within 90 days after receiving such a notice.

Sections of Ohio Revised Code

Chapter 5745.

Municipal Income Tax for Electric Light Companies & Telephone Companies

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2000
- The Chapter 5745 municipal income for electric light companies was enacted by Substitute House Bill 483, 123rd General Assembly to take effect on January 1, 2002 (see section 3 of House Bill 483).
- Section 7 of Senate Bill 287, 123rd General Assembly amended section 3 of House Bill 483 to provide that the tax was to take effect on January 1, 2001 and that a taxpayer was first subject to the tax reporting and payment requirements for its taxable year that included January 1, 2002.
- Senate Bill 287, 123rd General Assembly amended the tax to provide for a book-tax differential adjustment comparable to the franchise tax book-tax differential adjustment.

2003
- House Bill 95, 125th General Assembly subjected local exchange telephone companies to the Chapter 5745 municipal income tax for taxable years beginning on or after January 1, 2004.
- House Bill 95 enacted amendments to adopt the Internal Revenue Code (I.R.C.) as it existed on December 31, 2001 thus requiring the taxpayer to adjust its federal taxable income for changes to the I.R.C. enacted after that date (such as I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 expense).

Comparisons with Other States (As of 01/06)

None of the comparison states has a similar municipal income tax for electric light companies and telephone companies.

Property Tax-Public Utility Tangible

Taxpayer
All public utilities and inter-exchange telecommunications companies that are subject to the tax.

Tax Base
In Ohio, local telephone, telegraph, electric, natural gas, pipeline, water works, water transportation, heating, rural electric, and railroad companies are defined as public utilities for tangible personal property tax purposes. This definition also pertains to the tangible personal property of inter-exchange telecommunications companies, which includes long distance and cellular providers.

The true value of tangible personal property is based on composite annual allowances and is assessed at 25%, except:
- All personal property of pipelines, water works, and heating companies, electric transmission and distribution property, and local telephone property put into service before tax year 1995 is assessed at 88%.
- Rural electric transmission and distribution property is assessed at 50%.

The personal property tax on railroad personal property will be phased-out over three years beginning in 2006. The personal property tax on telephone company and inter- exchange telecommunications company personal property will be phased-out over four years beginning in 2007.

For information on public utility taxable real property, see the **Property Tax – Real** section.

Apportionment of Tax Base:
Generally, public utilities are valued as statewide units and the values are distributed to the taxing districts in which utilities operate. Personal property values are apportioned among the taxing districts based on a specific apportionment base (taxable cost of property, miles of wire, etc.). Electric production equipment is sitused 100% in the taxing district where located.

Major Exemptions
- Property of municipally-owned utilities.
- Certified air, water, and noise pollution control equipment.

Property Tax-Public Utility Tangible

- Licensed motor vehicles.
- Tangible personal property under construction.
- Qualified electric generating property may qualify for a property tax reduction if located in an enterprise zone.

Revenue (In Millions)

Calendar Year	Taxes Levied
2000	$967.7
2001	715.3
2002	746.1
2003	751.8
2004	775.4

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately 70% of the public utility tangible personal property tax revenue.

Payment Dates

- December 31: at least one-half of total tax liability due.
- June 20: balance of tax liability due.

Extensions are automatically granted to counties for 30 days because of certain delays affecting property tax administration. The Tax Commissioner may grant further extensions upon application by a county auditor and county treasurer. An approved application extends the due date for the tax and provides the county treasurer an extension of time to collect the taxes.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, 5713, 5715, 5717, 5719, 5727, and 6111.

Responsibility for Administration

Tax Commissioner assesses personal property of all public utilities and inter-exchange telecommunications companies. The

Property Tax-Public Utility Tangible

tax is collected by county treasurers and reported by county auditors.

History of Major Changes

1910 • Public utility property assessed by Tax Commission.

1939 • Public utility property assessed by the Tax Commissioner, a newly-created position replacing the state Tax Commission.

1941 • Assessment level for personal property of rural electric companies reduced from 100% to 50% (all other public utility property assessed at 100%).

1963 • Certified air pollution control facilities exempted.

1965 • Certified water pollution control facilities exempted.

1973 • Certified noise pollution control facilities exempted.

1979 • Personal property of railroads assessed at same level as non-utility tangible personal property; current assessment level is 25%.

1985 • Seventy percent of the value of production plant equipment of electric companies apportioned to the taxing district in which the property is physically located. Remaining value apportioned to each taxing district based on the percentage of the total cost of transmission and distribution property (distribution base) in each district.

1989 • For production equipment at an electric utility plant with a cost exceeding $1.0 billion, the amount in excess of $420 million is apportioned according to the distribution base.
- True value of public utility personal property based on composite annual allowances, and taxable property of most public utilities reduced from 100% to 88% of true value.
- True value of electric production equipment statutorily defined as 50% of original cost; 100% assessment rate retained.

Property Tax-Public Utility Tangible

1995 • All inter-exchange telecommunications company personal property assessed at 25% of true value. Local telephone company personal property added to the tax rolls during tax year 1995 and thereafter assessed at 25% of true value.

1999 • Beginning January 1, 2001, electric and rural electric utility personal property, excluding transmission and distribution property, assessed at 25%.
• Beginning January 1, 2001, electric production equipment sitused 100% in the taxing district in which property is located.

2000 • Beginning January 1, 2001, natural gas personal property tax assessment rates lowered from 88% to 25%.

2003 • Beginning January 1, 2005, assessment rate for telephone personal property acquired before 1994 decreased from 88% to 25% over a three-year period.

2005 • Beginning January 1, 2006, the tax on railroad personal property is phased-out over three years. The assessment rate for 2006 is 18.75%; for 2007 12.50%; for 2008 6.25%; and for 2009 and thereafter 0.0%.
• Beginning January 1, 2006, railroad real property not used in operations is valued and assessed by the county auditor.
• Beginning January 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers and valued and assessed under Chapter 5711.
• Beginning January 1, 2007, the tax on telephone company and inter-exchange telecommunications company personal property is phased-out over four years. The assessment rate for 2007 is 20%; for 2008 15%; for 2009 10%; for 2010 5.0% ; and for 2011 and thereafter 0.0%.
• Beginning January 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing personal property pursuant to Chapter 5727.
• Beginning January 1, 2009, persons engaged in some other primary business to which the supplying of electricity is incidental are required to file returns as an electric

Property Tax-Public Utility Tangible

company and list personal property used to supply electricity to others pursuant to Chapter 5727.

- Beginning January 1, 2006, the taxable personal property of an electric company includes the cost of patterns, jigs, dies, and drawings.
- Beginning January 1, 2006, the assessment percentage on electric transmission and distribution personal property is 85% and the assessment percentage on electric production personal property is 24%.

Comparison with Other States (As of 01/06)

California

Assessor: State Board of Equalization.
Assessment: Fair (or full) market value, with special provisions for private railroad cars.
Tax Rate: Aggregate of all local levies.

Florida

Assessor: State Department of Revenue assesses railroad property. Remaining property is assessed by county officials.
Assessment: Full cash value.
Tax Rate: Aggregate of all local levies.

Illinois

Assessor: State Department of Revenue assesses railroads. Local officials assess all other utilities.
Assessment: Railroad property is assessed at 33 1/3% of true cash value. Personal property is exempt from taxation.
Tax Rate: Aggregate of county and local levies.

Indiana

Assessor: Township officials assess the fixed property of public utility companies, while the State Department of Local Government Finance assesses the distributable property of public utility companies.

Property Tax-Public Utility Tangible

Comparison with Other States (As of 01/06)

Assessment: 100% of true cash value.

Tax Rate: Aggregate of all state and local levies (limitations imposed) for all public utility property, except railroad property which is taxed at a rate equal to the average levy in the state.

Kentucky

Assessor: State Department of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state, county, and local levies.

Massachusetts

Assessor: Local officials are responsible for assessing most property; however, certain utility property is determined and certified by the State Tax Commissioner of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state, county, and local levies.

Michigan

Assessor: Certain public utilities (railroad, telegraph, and telephone) are assessed by the State Board of Assessors. The State Board of Assessors will determine annually the true cash value and taxable value of the property of telephone and telegraph companies in the same manner as property assessed under general property tax laws. All other utilities are assessed by local officials.

Assessment: 50% of true cash value.

Tax Rate: Average rate of taxation upon all taxable state-assessed property.

New Jersey

Assessor: Division of Taxation assesses railroad property; local officials, with the advice of state officials, assess all telephone, telegraph, and messenger companies' property.

Assessment: True cash value for railroad property; otherwise property is assessed at its taxable value. Telephone, telegraph, and messenger companies are specially assessed.

Property Tax-Public Utility Tangible

Comparison with Other States (As of 01/06)

Tax Rate: Aggregate of all local levies; state tax rate for railroad property is 4.75% of true value.

New York

Assessor: State Board of Property Services assess special franchise areas. Local officials assess railroads. Personal property is exempt.

Assessment: Determined locally based on classification of property.

Tax Rate: Aggregate of all local levies; limitations are imposed.

Pennsylvania

Assessor: State Department of Revenue.

Assessment: Public utility realty tax is based on fair market value. This tax is in lieu of local real estate taxes.

Tax Rate: Rates are set annually to raise required revenue, plus an additional 7.6 mills is levied on state taxable value.

Texas

Assessor: County appraisal districts.

Assessment: Utility unit values based on one or more of the cost, income, or market approaches.

Tax Rate: Aggregate of all local levies.

West Virginia

Assessor: State Board of Public Works.

Assessment: All property is assessed at 60% of its fair market value.

Tax Rate: Sum of state, county, municipality, and school district levies; limitations imposed.

Property Tax-Real

Taxpayer
All real property owners unless specifically exempt.

Tax Base
The taxable base is the assessed value of land and buildings. Assessed value is 35% of market value, except for certain agricultural land. County auditors must reappraise all real estate once every six years. Equalization adjustments are made in the third year following reappraisal.

Rates
Real property tax rates vary with taxing jurisdictions. Total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located (e.g., county, township, municipal corporation, school district).

The 2004 average statewide gross tax rate was 84.19 mills. Application of "tax reduction factors" resulted in an average statewide effective tax rate of 55.49 mills.

The Ohio Constitution prohibits governmental units from levying property taxes which in total exceed 1.0% of true value unless approved by the voters. Ohio law further limits property taxes to 1.0% of taxable value. This provision is known as the 10-mill limitation.

Major Exemptions
State law has implemented the following exceptions:

- Land devoted exclusively to commercial agricultural use may be valued according to current use instead of "highest and best" use.
- Certified air, water, and noise pollution control facilities.
- Property of governmental and private institutional owners is exempt on grounds of ownership and/or usage under a general legislative authority for exempting real property (examples include schools, hospitals, churches, and municipal corporations).
- Tax abatements are granted by county, township, and municipal governments on qualified real property for a designated time period for the purposes of economic and community development.

Property Tax - Real

Revenue (In Millions)

Tax Year	Taxes Charged Before Relief*(1)*	Property Tax Relief Percentage Rollback*(2)*	Property Tax Relief Homestead Exemption
2000	$8,697.8	$991.0	$65.0
2001	9,183.4	1,035.1	64.0
2002	9,807.9	1,123.0	64.8
2003	10,473.6	1,197.5	68.8
2004*(3)*	11,242.6	1,283.0	71.0

Notes: *(1)Taxes charged represent real estate and public utility real property taxes after tax reduction factors but before the 10% and 2.5% rollbacks and homestead exemption. (2)Percentage rollback represents the 10% rollback for all real property, including public utility real property, and the 2.5% rollback for residential real property. (3)Percentage rollback and homestead exemption figures are estimated.*

Disposition of Revenue

Revenue is distributed to the counties, municipalities, townships, and school districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately two-thirds of the total real property tax revenue.

Payment Dates

- December 31: full amount of tax (or one-half) is due.
- June 20: balance due.

Each county is permitted, but is not required, to extend the aforementioned due dates for the taxpayer's payments of the tax to January 31 and to July 20, respectively, because of certain delays affecting property tax administration. Upon application by a county treasurer alone or by a county auditor and treasurer together, the Tax Commissioner may grant further extensions of time in which the county must collect the tax.

Special Provisions/Credits

If a school district has a total voted and unvoted current expense millage exceeding 20 mills, its effective millage after application of reduction factors cannot fall below 20 mills. If the initial calculation of the factors does drop the effective current expense rate below 20 mills, the factors must

Property Tax - Real

be recalculated to arrive at 20 mills. Joint vocational schools have the same provision with a floor of 2.0 mills.

Forest land devoted exclusively to forestry or timber growing may be taxed at 50% of the local rate.

Three major state laws allow property tax credits (direct reductions of tax rather than reductions of value). These include the percentage rollback, homestead exemption, and tax reduction factor.

Percentage Rollback:
Starting with tax year 2005, state law grants tax relief in the form of a 10% reduction in the real property tax bill of parcels not used in a business activity. In general, the 10% reduction will apply to farmland and residential property containing a single-family, two-family, or three-family dwelling. See **History of Major Changes** later in this chapter for a more detailed explanation. In addition to the 10% rollback, a 2.5% rollback is granted on real property taxes for owner-occupied dwellings. The state reimburses local governments for these tax losses.

Homestead Exemption:
This tax relief is granted to qualified low income, elderly and disabled homeowners, as well as to certain surviving spouses. The tax reduction is reimbursed to local governments by the state. The tax reduction under the homestead exemption is equal to the gross millage rate multiplied by a reduction in taxable value determined by the income class of the homeowner. The income classes are increased based on inflation factors to determine eligibility. In 2002, the dollar amount of reductions was also indexed. For tax year 2005, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse			Reduce Taxable Value By the Lesser of		
$13,100		or less	$5,400	or 75%	of taxable value
13,101	-	$19,200	3,300	or 60%	of taxable value
19,201	-	25,400	1,000	or 25%	of taxable value
25,401	and over		-0-		

Tax Reduction Factor:
Percentage reductions are applied to taxes levied against real

property after reappraisal or update. Separate percentage reductions are applied to two classes of real property: Class I, consisting of residential and agricultural property, and Class II, consisting of commercial, industrial, mineral, and public utility real property. These reductions do not apply to any tangible personal property. Reduction factors remain in effect until an increase or decrease in value occurs because of the revaluation of existing property. Revised reduction factors are then calculated and applied. The computation of these percentage reductions is a rather complex process. However, the basic effect is to eliminate increases in revenue from voted taxes which might occur when existing real property in a taxing unit is reappraised or updated.

Sections of Ohio Revised Code
Chapters 319, 321, 323, 5701, 5705, 5709, 5713, 5715 and 5721.

Responsibility for Administration
Primarily county auditors, county treasurers, county boards of revision, and the Tax Commissioner.

History of Major Changes

1851 • New constitution required taxation of all property by uniform rule (but expressly authorized exemption for certain property classes, e.g., churches, schools, etc.).

1902 • Eliminated state property tax levies for general fund.

1910 • Culmination of reform movement led to creation of single State Tax Commission to supervise local property tax administration.

1925 • First statutory requirement for six-year reappraisal cycle enacted.

1927 • Statute set aggregate tax limit of 15 mills on each dollar of tax valuation except for taxes approved by voters (1.0% of true value since 1911).

1931 • Constitutional amendment limited levies without voters' approval to 1.5% of true value.

Property Tax - Real

1933 • Constitution set limit of 1.0% of true value on non-voted levies.

1934 • Statute reduced aggregate tax limit from 15 mills to ten mills for non-voted levies.

1939 • State Tax Commission replaced by: Department of Taxation; the Board of Tax Appeals, to supervise real property tax administration; and a Tax Commissioner, who assumed functions with respect to taxation of public utility property.

1965 • First statutory requirement that real property be assessed at no more than 50% of true value, with actual percentage to be established by uniform rule of Board of Tax Appeals (BTA).

1971 • Enactment of 10% rollback and homestead exemptions.

1972 • BTA rule set tax value at 35% of true value to be implemented by all counties as they complete their sexennial reappraisal cycle, with annual adjustments to maintain the 35% level.

1973 • Top income bracket of the homestead exemption increased from $8,000 to $10,000.

1974 • Valuation of agricultural property to be based upon current use (1973 constitutional amendment).

1975 • Homestead exemption extended to permanently and totally disabled homeowners.

1976 • Real property tax credits provided; and real property valuations updated every three years.
• Ohio Department of Tax Equalization created.
• Definition of “total income” for homestead exemption amended to exclude disability benefits paid by the Veterans Administration and other branches of the armed services, and social security income increases occurring after initial application for homestead exemption.
• The limit of each homestead exemption income

Property Tax - Real

bracket increased by $1,000 (except the highest bracket).

1978 • Effective June 30, 1978, the due date for payment of real property taxes (full amount or one-half of it) changed from December 20 to December 31.

1979 • A 2.5% tax rollback on residential property granted.
- Upper income limit of the homestead exemption set at $15,000 and three $5,000 income brackets created.
- Constitutional amendment passed effective for 1980 that allowed separate percentage reduction factors applied to two classes of real property (combined value of residential and agricultural property and value of all other real property).

1983 • Department of Tax Equalization eliminated and all of its functions transferred to the Department of Taxation.

1986 • The limit of each homestead exemption income bracket increased by $1,500 beginning in tax year 1988.

1991 • Homestead exemption extended to surviving spouses of homestead exemption recipients (1990 constitutional amendment).

1995 • The limit of each homestead exemption income bracket increased by $4,300 beginning in tax year 1995.

1998 • Treasurers in counties with a population of at least 200,000 permitted to issue tax certificates on delinquent real property.

1999 • The limit of each homestead exemption income bracket increased by 10.6% for tax year 1999. The brackets (tax year 2000) and the taxable value reductions (tax year 2002) indexed annually based on inflation.
- Certain manufactured homes that would otherwise be subject to the manufactured home tax converted to, and taxed as, real property.
- Each board of county commissioners permitted to charge a lower real estate transfer fee for homestead exemption qualifiers than for other taxpayers.

Property Tax - Real

2003 • Definition of exemption for land devoted exclusively to agricultural use expanded to include land used for conservation purposes to abate soil erosion, provided that these practices do not comprise more than 25% of the land otherwise qualified as exclusively devoted to agricultural use.

2004 • Tax increment financing law altered in several major ways:
- Service payments and service charges in lieu of taxes were explicitly made liens on the land.
- Political subdivisions granting one of six tax increment financing exemptions can file the exemption application with the Tax Commissioner on behalf of the property owners. However, if the subdivision files the exemption application without the property owner's consent, the parcel remains subordinate to any other exemption that may apply to the property.
- If the property owner, or the subdivision with the property owner's consent, files the exemption application, then no other exemption can be granted to any future owners after the property owner or subdivision files a notice with the county recorder, unless the subdivision consents.
- Under certain circumstances, a county may receive compensation from a municipality or township for a tax increment financing exemption granted by the municipality or township, and a township may receive compensation from a county for a tax increment financing exemption granted by the county.

2005 • 10% reduction applied to real property not used in a business activity:
- "Business activity" does not include the following activities, which will qualify for the10% reduction: farming; leasing property for farming; occupying or holding property improved with single-family, two-family, or three-family dwellings; leasing property improved with single-family, two-family, or three-family dwellings; or holding vacant land that the county auditor determines will be used for farming or to develop single-family, two-family, or three-family dwellings. However, "farming" does not include land used for the

Property Tax - Real

commercial production of timber that is receiving the tax benefit under R.C. 5713.23 or 5713.31.

- Limitations were placed on the tax increment financing for municipal, township, and county incentive districts:
  - If the subdivision's population exceeds 25,000, it cannot create an incentive district that exempts more than 25% of the subdivision's taxable value.
  - For municipal or township incentive districts, if the subdivision intends to exempt property in an incentive district for more than ten years or for more than 75% of improved value, it must notify the board of county commissioners. The board may accept or object to the excess exemptions. If the board objects, it may negotiate an agreement with the granting subdivision for compensation in an amount not to exceed 50% of the taxes in excess of the 75% exemption in the eleventh and subsequent years that the county would have received, if the property was not exempt. If no agreement is reached, the subdivision cannot grant the excess exemptions without paying that maximum 50% compensation described above. For county incentive districts, the county must notify the board of trustees of any township and the legislative authority of any municipality located within the county incentive district of its right to object to excess exemptions. The municipality or township shall have the same rights to compensation that the county has for municipal or township incentive districts outlined above.
  - The revenue from certain enumerated tax levies cannot be included in the service payments in lieu of taxes, but must be distributed to the proper taxing authorities.
- Starting with tax year 2006, the county auditor shall value and assess the real property owned by a railroad company that the Tax Commissioner determines is not used in railroad operations.
- In determining the true value of minerals or rights to minerals, the Tax Commissioner shall not include in that value the value of any tangible personal property used in the recovery of those minerals. Uncodified law directs the commissioner to review the calculations of the multipliers

Property Tax - Real

used in the determination of the oil and gas valuations in light of the aforementioned restriction in time to be used in the commissioner's annual entry adopting those multipliers for tax year 2006.

Comparisons with Other States (As of 01/06)
The complexity of real estate laws prevents a simple rate comparison among states. However, the table below highlights the property tax liability on the median residential home value in the largest city in each of the 12 selected states for 2005.

Note: data are sorted by descending value on "Property Tax on Median Home."

State/City	Median Home Taxable Value in Largest City*(1)*	Effective Tax Rate, per $100*(2)*	Property Tax On Median Home*(3)*
California			
(Los Angeles)	$221,600	$1.25	$2,770
Indiana			
(Indianapolis)	98,500	2.78	2,738
New Jersey			
(Newark)	119,000	2.30	2,737
New York			
(New York City)	211,900	1.16	2,458
Texas			
(Houston)	79,300	2.99	2,371
Massachusetts			
(Boston)	190,600	1.23	2,344
Illinois			
(Chicago)	132,400	1.74	2,304
Florida			
(Jacksonville)	87,800	1.98	1,738
Pennsylvania			
(Philadelphia)	59,700	2.64	1,576

Notes: *(1)Source: Department of Finance and Revenue, District of Columbia, **Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004),** published August 2005, Table 5. (2)Source: Table 4, **Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004).** (3)Source: calculations by the Ohio Department of Taxation.*

Property Tax - Real

State/City	Median Home Effective Taxable Value in Largest City*(1)*	Property Tax Rate, per $100*(2)*	Tax On Median Home*(3)*
Ohio			
(Columbus)	**101,400**	**1.49**	**1,510**
Michigan			
(Detroit)	63,600	1.86	1,182
Kentucky			
(Louisville)	82,300	1.10	905
West Virginia			
(Charleston)	101,400	0.88	892

Notes: *(1)Source: Department of Finance and Revenue, District of Columbia,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004),*** *published August 2005, Table 5. (2)Source: Table 4,* ***Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2004).*** *(3)Source: calculations by the Ohio Department of Taxation.*

Property Tax – Tangible Personal Property

Taxpayer
Taxpayers who own and use tangible personal property in business in Ohio.

Tax Base
The tax is applied to tangible personal property used in business in Ohio (machinery, equipment, inventories). Business land and buildings are taxed under the real property tax.

Taxable value is determined by applying an assessment percentage to the true value of tangible property. The percentage used to determine taxable value is 25% for all property except inventories, which will be assessed at 23% for 2005.

The tangible personal property tax on general business will be phased-out over a three-year period beginning in 2006.

Rates
Tax millage rates vary with the taxing jurisdiction. The rates applied to tangible personal property values are the full voted and unvoted millage rates. The 2004 average effective tax rate was 77.67 mills.

Major Exemptions
- The first $10,000 of taxable value for each taxpayer.
- Property of any level of government, school, college, church, and property owned and not used in business.
- Licensed motor vehicles and aircraft.
- Personal property used in agriculture.
- Patterns, jigs, dies, and drawings used in business that are held for use and not for sale.
- Certified air, water, and noise pollution control equipment and facilities.
- Property of insurance companies, financial institutions, and dealers in intangibles used in their business is exempt unless the equipment is leased to others.
- Property in a public recreational facility owned by a political subdivision.
- Certified energy conversion facilities (property used to convert from the use of natural gas or fuel oil to other fuels).
- Certified thermal efficiency improvement facilities (property used for recovery and use of waste heat or steam).

Property Tax - Tangible Personal Property

- Certified solid waste energy conversion facilities (property used to convert solid waste from industrial operations into energy).
- All inventories in foreign trade zones established prior to January 1, 1992 and only inventories exempt under federal law in foreign trade zones established on or after January 1, 1992.
- Property shipped from outside Ohio and held in Ohio for storage only.
- Leased property used exclusively for agricultural purposes.
- Machinery and equipment designed for agricultural use while in the inventory of a merchant.
- Qualified personal property located in an enterprise zone.
- Machinery and equipment while under installation or construction in a plant or facility and not capable of operation.
- Property owned by a port authority and leased to a railroad (partially exempt for a period of ten years).
- Property used in the production of grape juice or wine and not held in labeled containers in which it will be sold.

Revenue (In Millions)

Calendar Year	Net Taxes Levied	$10,000 Exemption Reimbursements
2000	$1,720.7	$93.6
2001	1,802.5	94.5
2002	1,768.3	95.6
2003	1,637.4	85.9
2004	1,651.7	74.8

Disposition of Revenue

Revenue is distributed to the counties, municipalities, townships, and school districts according to the taxable values and total millage levied by each. Statewide, school districts receive about 70% of total tangible personal property tax revenue.

Payment Dates

Each taxpayer with property in only one county pays to the county treasurer one-half of the tax liability on or before April 30 and the remainder by September 20.

Each taxpayer with property in more than one county pays to each county treasurer the tax liability in one installment on or before September 20.

Property Tax - Tangible Personal Property

Special Provisions/Credits

An exemption of the first $10,000 of taxable value on all tangible personal property is allowed; the local revenue loss is reimbursed by the state but is being phased-out with no reimbursement after fiscal year 2009.

Companies may receive up to a 75% exemption for no more than 15 years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60% for zones in unincorporated areas.

Exemptions may exceed these levels if approved by affected school districts or if the property is located at a site where the taxpayer performed a qualified environmental remediation.

All enterprise zones are created by local authorities. A company seeking to receive an exemption must submit an investment proposal to the local authority that created the zone where the operation will be located.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, and 5719.

Responsibility for Administration

- The Tax Commissioner has exclusive responsibility for returns of taxpayers with property in more than one county.
- The Tax Commissioner and county auditor have shared responsibility for returns of taxpayers with property in only one county.

History of Major Changes

1931 • Tangible property separated from real property and intangible property; tangible property tax limited to property used in business (based on 1929 amendment to Ohio Constitution).

1967 • Assessment percentages applied to property used in agriculture gradually reduced from 50% until property is exempt in 1973.
• Assessment percentages applied to inventories and restaurant property gradually reduced from 70% to 50% by 1971.

Property Tax - Tangible Personal Property

1971 • Assessment percentages for inventories gradually reduced from 50% to 45% by 1974.
• Assessment percentages for furniture and fixtures gradually reduced from 70% to 50% by 1976.

1976 • Starting in 1977, whenever annual revenue growth conditions were satisfied, assessment percentages reduced by 2% each year until reaching 35%. (Revenue growth conditions were satisfied in 1977 and 1978, reducing assessment percentages for inventories from 45% to 41% and assessment percentages for all other property from 50% to 46%.)

1978 • Revenue growth conditions removed to allow annual reductions in inventory assessment percentages for inventories to the 35% level.
• Credit against the corporation franchise or personal income tax allowed for certain tangible property taxes paid on manufacturing machinery and equipment, effective through 1993.

1983 • Starting in 1984, whenever annual revenue growth conditions were satisfied, assessment percentages for all tangible property, other than inventories, reduced by 1.0% each year until reaching 25%.
• Exemption enacted for first $10,000 of taxable value.

1985 • Growth condition removed from law — annual reductions made automatically until reaching 25% level in 1993.

1992 • Definitions of real and personal property revised.

1994 • Enterprise zone program extended to December 31, 1997 and maximum percentage for tax exemptions reduced.

1997 • Enterprise zone program extended to June 30, 1999.

1999 • Beginning tax year 2002, assessment percentage on inventories reduced 1.0% annually if growth conditions were met (growth conditions removed beginning in tax year 2007; 2004 rate set at 23%).
• Beginning tax year 2002, assessment percentage on

Property Tax - Tangible Personal Property

electrical generating equipment reduced from 100% to 25%.
- Enterprise zone program extended to June 30, 2004.
- Enterprise zone program extended to certain qualified electric generating peaking units.

2003
- Beginning tax year 2003, the late filing penalty of one-half of the $10,000 exemption was repealed.
- Beginning tax year 2003, reasonable cause can be considered in the abatement of a late payment penalty.
- Beginning tax year 2004, taxpayers with a taxable value of less than $10,000 are no longer required to file a return. The reimbursement of the revenues lost due to the exemption will be phased-out over a ten-year period.
- Effective for tax years 2005 and 2006, inventory assessment percentage scheduled to be reduced by 2.0% each year if collections increase.
- Effective for tax year 2007, inventory assessment percentage scheduled to be reduced by 2.0% automatically.

2004
- Effective for tax year 2004, enterprise zone agreements may be allowed for up to 15 years instead of ten.

2005
- Beginning January 1, 2006, the tangible personal property tax on general business will be phased-out over a three year period. The listing percentage on all tangible personal property including inventory for 2006 will be 18.75%; for 2007 12.50%; for 2008 6.25%; and for 2009 and thereafter 0.0%. The listing percentage for manufacturing equipment first used in business in Ohio after January 1, 2005 is 0.0%.
- Beginning January 1, 2006, the terms manufacturer, manufacturing equipment, and manufacturing inventory are defined.
- Beginning January 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers and valued and assessed under Chapter 5711.
- Beginning January 1, 2007, the tax on telephone company and inter-exchange telecommunications company personal property is phased-out over four years. The assessment rate for 2007 is 20%; for 2008 15%; for 2009 10%; for

Property Tax - Tangible Personal Property

2010 5.0%; and for 2011 and thereafter 0.0%.

- Beginning January 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing personal property pursuant to Chapter 5727.
- Beginning January 1, 2009, persons engaged in some other primary business to which the supplying of electricity is incidental are required to file returns as an electric company and list personal property used to supply electricity to others pursuant to Chapter 5727.

Comparisons with Other States (As of 01/06)

California

Tangible personal property assessed at current fair market value. All property is taxed unless expressly exempt by law (i.e., inventories). Property is taxed at the aggregate of all lawful local levies, however, the rate is fixed to meet budgetary necessities. Rate applied cannot exceed 1.0% of the full cash value of the property.

Florida

Tangible personal property assessed at market or just value. Inventories are exempt from taxation. Property is taxed at the aggregate of all lawful local levies.

Illinois

Tangible personal property is exempt from taxation.

Indiana

Tangible personal property is assessed at 100% of true value unless specifically exempt. Property is taxed at the aggregate of all lawful state and local levies. Total state tax rate is limited to $0.0033 per $100 of valuation. Total rate in all incorporated areas is limited to $0.6667 while the total rate in all unincorporated areas is limited to $0.4167 on each $100 of valuation.

Kentucky

Tangible personal property assessed at fair cash value. Property is taxed at the aggregate of all lawful state and local levies.

Property Tax - Tangible Personal Property

Comparisons with Other States (As of 01/06)

Massachusetts

Tangible personal property assessed at fair cash value determined as of January 1 of each year. All property is taxed unless expressly exempt by law. Property is taxed at the aggregate of all lawful state and local levies. The rate cannot exceed 2.5% of cash value unless approved by voter referendum. For Fiscal Year 2005, the commercial tax rate cap is 197% of the residential rate. This temporary rate adjustment was established to reduce the tax burden on residential properties.

Michigan

Tangible personal property assessed at 50% of true cash value. All property is taxed unless expressly exempt by law (i.e., inventories). Tax rate equals the aggregate of all lawful state and local levies and personal property not used to produce income. However, the total rate cannot exceed 15 mills, or 1.5%, on each dollar of assessed value unless the voters approve a higher rate. There is a state education tax levy of 6.0 mills imposed on all property.

New Jersey

Tangible personal property assessed at a variable rate of true value that is dependent upon a yearly analysis of the average assessment ratio of real property. In general, tangible personal property is not subject to taxation in New Jersey. However, business tangible personal property, exclusive of inventories, is subject to local taxation if used in the business of local telephone, telegraph and messenger systems, companies, corporations, or associations that were subject to the public utilities gross receipts tax as of April 1, 1997. In addition, personal property consisting of machinery and/or petroleum-related equipment is taxable as real property.

New York

Tangible personal property is exempt from taxation.

Pennsylvania

Tangible personal property is exempt from taxation.

Property Tax - Tangible Personal Property

Texas

Comparisons with Other States (As of 01/06)

Tangible personal property is assessed on the basis of 100% of its appraised value. All property is taxed at the aggregate of all lawful state and local levies. Property, other than manufactured homes, that is not held or used for production of income is exempt.

West Virginia

Tangible personal property is assessed at 60% of its fair market value. Property is taxed at the aggregate of all lawful state and local levies.

Sales & Use Tax – County & Transit Authority

Taxpayer
(See **Sales and Use Tax** section in the **State Taxes** portion.)

Tax Base

County sales tax Additional county sales tax (for special purposes) Transit authority sales tax	Sales and rental of personal property, and selected services

As of January 1, 2006, 88 counties and seven transit authorities levied the tax.

Rates

County sales tax:	0.25%, 0.5%, 0.75%, or 1.0%
Additional county sales tax: (for special purposes)	0.25% or 0.5%
Transit authority sales tax:	0.25%, 0.5%, 0.75%, 1.0%, 1.25%, or 1.5%

Major Exemptions
(See **Sales and Use Tax** section in the **State Taxes** portion.)

Revenue (In Millions)

Fiscal Year	County	Transit Authority	Adm. Fund	Total*
2001	$1,068.8	$270.0	$13.6	$1,352.4
2002	1,073.0	261.6	13.5	1,348.1
2003	1,115.7	271.2	14.1	1,401.0
2004	1,179.8	278.7	14.8	1,473.3
2005	1,195.4	285.6	15.1	1,496.1

Note: **Figures are from the Office of Budget and Management and represent actual distributions of the county and transit authority sales and use tax during the fiscal years shown.*

Sales & Use Tax - County & Transit Authority

Disposition of Revenue

- County sales tax:
  County general revenue fund and administrative expenses.
- Additional county sales tax:
  Allocated to one or more of the following: county general fund; transit authority; county permanent improvements; convention facility notes or bonds; implementation of a 9-1-1 system in the county; operation and maintenance of a detention facility; and conservation easements.
- Transit authority sales tax:
  All transit purposes of the transit authority and administrative expenses.

Payment Dates

(See **Sales and Use Tax** section in the **State Taxes** portion.)

Special Provisions/Credits

A total of 1.0% of the county tax, 1.0% of the additional county tax, and 1.0% of the transit authority tax are credited to the Local Sales Tax Administrative Special Fund for use by the Tax Commissioner in administration.

Qualified municipal corporations and townships are authorized to levy a resort area tax at the rate of 0.5%, 1.0%, or 1.5% on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax:

- Kelley's Island (1.5%),
- village of Put-in-Bay (1.5%), and
- township of Put-in-Bay (1.5%).

The Tax Commissioner administers this tax.

Sections of Ohio Revised Code

County sales tax:

Sections 5739.021, 5739.022, 5739.025, 5739.21, 5739.211, 5741.021, 5741.03, and 5741.031.

Additional county sales tax:

Sections 133.312, 307.282, 307.283, 351, 5739.025, 5739.026, and 5741.023.

Sales & Use Tax - County & Transit Authority

Transit authority sales tax:
Sections 306.321, 306.70, 306.71, 5739.01, 5739.023, 5739.025, 5739.21, 5739.211, 5741.01, 5741.022, 5741.03, and 5741.031.

Resort area gross receipts tax:
Sections 5739.101, 5739.102, 5739.103, 5739.104, and 5739.105.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

County sales taxes:

1967 • General Assembly granted power to counties to levy the county sales tax at a 0.5% rate.

1969 • Lake County was the first county to levy the county sales tax.

1982 • Counties authorized to levy the county sales tax at 0.5% or 1.0%.

1986 • Counties authorized to levy the additional county sales tax at 0.5% for specified purposes subject to voter approval.

1987 • County sales tax or additional county sales tax authorized at 0.25% increments.

1992 • A county 9-1-1 system added to the list of specified purposes for which a county may enact the additional county sales tax.

1999 • Conservation easements included in the list of specific purposes for which the additional county sales tax may be levied.

2003 • A board of commissioners in a county with a population of one million persons or more authorized to adopt a resolution on or before August 30, 2004 to levy an excise tax on sales of food and beverages for consumption on the premises where sold to provide revenue for constructing, improving, expanding, equipping, financing, or operating a convention center.

Sales & Use Tax - County & Transit Authority

History of Major Changes

Transit authority sales tax:

1974 • General Assembly authorized transit authorities to levy the tax, subject to voter approval, at the following rates: 0.5%, 1.0%, or 1.5%.

1975 • Greater Cleveland Regional Transit Authority adopted the tax at a 1.0% rate.

1980 • Miami Valley RTA and Central Ohio Transit Authority adopted the tax at a 0.5% rate.

1985 • The 0.5% rate for Central Ohio Transit Authority expired.

1987 • Transit authority tax authorized at 0.25% increments.

1988 • LakeTran RTA adopted tax at a 0.25% rate.

1989 • Central Ohio Transit Authority adopted tax at a 0.25% rate.

1991 • Summit County Metro Transit Authority adopted tax at a 0.25% rate.

1997 • Stark Area RTA adopted tax at a 0.25% rate.

2002 • Portage Area RTA adopted tax at a 0.25% rate.

Comparisons with Other States (As of 01/06)

(See **Sales and Use Tax** section in the **State Taxes** portion.)