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## 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).

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- 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
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.

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**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.

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- 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

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- 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

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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.

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**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.

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**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.

