

2006

BRIEF SUMMARY
OF MAJOR STATE &
LOCAL TAXES
IN OHIO

OHIO DEPARTMENT OF TAXATION

Ted Strickland
Governor

Richard A. Levin
Tax Commissioner



GREETINGS FROM THE TAX COMMISSIONER



I'm pleased to provide you with the 2006 edition of **Ohio's Taxes – A Brief Summary of Major State and Local Taxes in Ohio**.

This publication is designed as a handy reference guide to state and local taxes in Ohio. It provides the rates, revenues, rules and distributions of all the principal taxes in Ohio.

Many of these taxes are undergoing change as the Ohio Department of Taxation continues to implement fundamental reforms to Ohio's tax code, including a five-year, 21 percent reduction in individual income tax rates and the implementation of a new business tax with a broad base and a low rate. The new commercial activity tax (CAT) is the vehicle that enables Ohio to phase-out both the antiquated personal property tax and the corporation franchise tax. More information on these and other changes is contained in each of the respective tax chapters.

Though tax laws may change, our commitment to delivering quality customer service has not. Our staff is dedicated to helping those taxpayers who are trying to do the right thing. We are also committed to making certain that all taxpayers comply with the law and pay their fair share.

This department will strive to be fair to all taxpayers while professionally administering a tax system that raises the revenues necessary to provide state services to every Ohioan.

We hope you find this publication is a useful guide to our tax system at both the state and local levels. It is an important component of our mission of serving the citizens of Ohio.

Sincerely,

A handwritten signature in cursive script that reads "Richard A. Levin". The signature is written in dark ink and is positioned below the word "Sincerely,".

Richard A. Levin
Tax Commissioner



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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.



INTRODUCTION

This **Brief Summary** is organized to provide a concise but comprehensive description of each of the principal taxes in Ohio.

The publication is divided into two principal sections, **State Taxes** and **Local Taxes**. It is important to note that some taxes may only be imposed and collected by the state, although the revenue may be shared with local political subdivisions and schools. For taxes authorized to be imposed and collected at the local level, the revenue remains local.

Additional information concerning the taxing power of each level of Ohio government can be found in the **Introduction** to the **Local Taxes** section.

For each tax, this summary presents information in the following format:

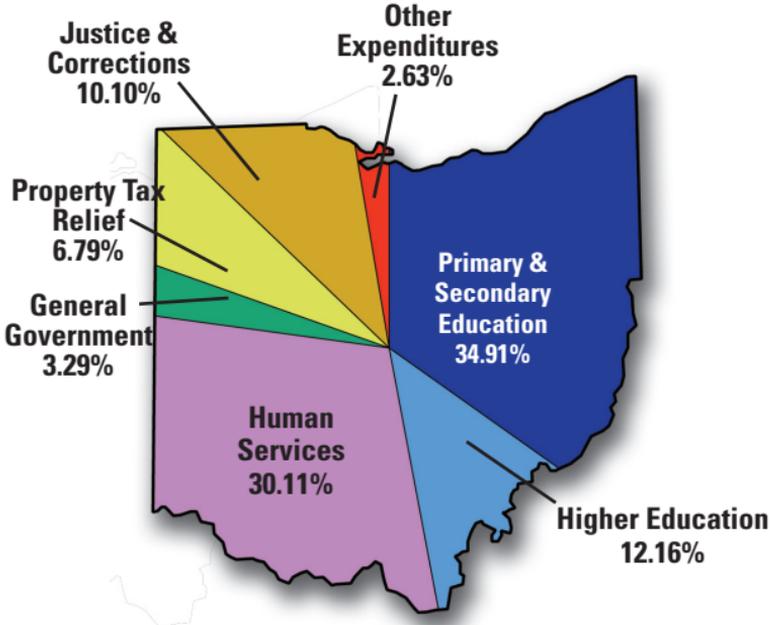
- Taxpayer
- Tax base
- Rates
- Major exemptions
- Revenue for the most current five years
- Disposition of revenue
- Payment dates
- Special provisions and credits
- Primary sections of pertinent Ohio Revised Code
- Responsibility for administration
- History of major changes
- Comparison to similar taxes in other states

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

We hope that the **Brief Summary** is a valuable reference for everyone concerned with taxes in Ohio.

GENERAL REVENUE FUND EXPENDITURES

Fiscal Year 2006
(Excluding Federal Aid)



Category	Expenditures	
Education:		
Primary & Secondary	\$6,728,374,087	34.91%
Higher Education	2,343,984,065	12.16%
Total Education	\$9,072,358,152	47.07%
Human Services:		
Public Assistance	\$4,571,246,898	
Mental Health & Retardation	911,806,911	
Miscellaneous	319,763,748	
Total Human Services	\$5,802,817,557	30.11%
General Government:		
Transportation	\$26,187,677	
Environ. & Natural Resources	102,766,956	
Economic Development	150,009,087	
Miscellaneous	354,149,128	
Total General Government	\$633,112,848	3.29%
Property Tax Relief	\$1,309,275,048	6.79%
Justice and Corrections	1,946,137,308	10.10%
Other Expenditures	507,450,393	2.63%
GRAND TOTAL	\$19,271,151,306	100.00%

TAX BURDEN COMPARISONS AMONG THE STATES

The U.S. Census Bureau collects data on tax burdens. Data for fiscal year 2005 is the most recent available, and shows the combined state and local aggregate taxes both on a per capita basis and as a percentage of income. States selected 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 23rd. As a percentage of personal income among all 50 states and the District of Columbia, Ohio ranked 13th. The tables below show the national ranking for Ohio and each of the 12 comparison states commonly used in this publication.

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	\$4,055	13	11.6%	17
Florida	3,369	27	10.6	37
Illinois	3,849	17	11.1	27
Indiana	3,405	26	11.4	21
Kentucky	2,939	41	11.0	30
Massachusetts	4,470	6	10.7	35
Michigan	3,494	24	11.0	28
New Jersey	4,890	5	11.7	16
New York	5,752	2	15.0	2
Ohio	3,637	23	11.8	13
Pennsylvania	3,710	20	11.1	26
Texas	3,015	38	10.0	45
West Virginia	3,060	36	12.1	10

Highest and Lowest State and Local Tax Burdens⁽³⁾

District of Columbia	\$7,383	1	--	--
Alabama	2,569	51	--	--
Wyoming	--	--	15.1%	1
South Dakota	--	--	8.7	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





STATE TAXES
ALCOHOLIC BEVERAGE TAXES

Taxpayer

- Manufacturers, importers, and 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%	\$1.00 per gallon

Apple cider (alcohol content
over 0.5%)

24 cents per gallon

Vermouth

\$1.10 per gallon

Sparkling wine,
champagne

\$1.50 per galon

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.

Revenue (In Millions)

Fiscal Year	Beer	Wine & Mixed Beverages	Liquor	Total
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
2006	48.3	10.1	33.4	91.8

STATE TAXES
ALCOHOLIC BEVERAGE TAXES

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 day of the month, and returns are due by the 10th day 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 day 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 production does 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 \$3.00 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 than 14% 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.
- 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 grape industries.

STATE TAXES
ALCOHOLIC BEVERAGE TAXES

- 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.
 - 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 05/07)

Notes: Percentages refer to alcohol content, which is measured by volume. 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

STATE TAXES
ALCOHOLIC BEVERAGE TAXES

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
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 gall
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 gallon
Still wine, including vermouth	55 cents per gallon
Sparkling wine and champagne	70 cents per gallon
Other alcoholic beverages:	
(15% or less)	1.10 per gallon
(over 15% to 50%)	4.05 per gallon
(over 50%)	4.05 per proof gallon

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 plus 4.0% surtax

STATE TAXES
ALCOHOLIC BEVERAGE TAXES

Off premises	9.85% of retail price plus 4.0% surtax
Mixed drinks	48 cents per liter
New Jersey	
Beer	12 cents per gallon
Apple cider (3.2% to 7.0%) (7.0% or more)	12 cents per gallon 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%) (2% to 24%) (more than 24%)	1.0 cent per liter 67 cents per liter \$1.70 per liter
Pennsylvania	
Beer, cider, and malt beverages	\$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)
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

STATE TAXES

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.
- Cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products.

Rates

- Cigarettes: 6.25 cents per cigarette (\$1.25 per pack of 20 cigarettes).
- Other tobacco products: 17% of wholesale price.

Major Exemptions

None.

Revenue (In Millions)

Fiscal Year	Total
2002	\$281.3
2003	599.9
2004	557.5
2005	577.7
2006	1,084.1

Disposition of Revenue

General Revenue Fund.

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.

STATE TAXES
CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

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 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).

Counties with a population of 1.2 million or more may levy an additional tax of up to 1.5 cents per cigarette (30 cents per pack of 20 cigarettes) to fund a regional arts and cultural district. Cuyahoga County voters approved such a tax at 30 cents per pack effective February 1, 2007 (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
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

STATE TAXES
CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

Year	Total Tax Rate Per Pack of 20
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 • 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
2002 • Rate increase of 1.55 cents per cigarette effective July 1.	55 cents

STATE TAXES
CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

Year	Total Tax Rate Per Pack of 20
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
2006 • Counties with a population of 1.2 million or greater authorized to levy permissive cigarette tax to fund a regional arts and cultural district.	\$1.25

Comparisons with Other States (As of 05/07)

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(2)	98.0	18.0
Indiana(3)	99.5	18.0
Kentucky(4)	30.0	7.5
Massachusetts	\$1.51	30.0(5)
Michigan	2.00	32.0
New Jersey	2.575	30.0
New York(2)	1.50	37.0
Pennsylvania	1.35	—
Texas	1.41	40.0(6)
West Virginia	55.0	7.0

Notes: (1) Tax is levied on smoking tobacco, chewing tobacco, and snuff. (2) There is also a use rate on unstamped cigarettes, levied at the same rate per pack as the cigarette tax rate. (3) Indiana's rate is effective July 1, 2007. (4) Dealers pay an additional enforcement/administration fee of 0.1 cents per pack. (5) Tax is levied on smoking tobacco and cigars. There is also a tax on smokeless tobacco of 90% of the wholesale price. (6) 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.

STATE TAXES
COMMERCIAL ACTIVITY TAX

The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio. It is not a tax on transactions, unlike the sales tax. The CAT is paid either quarterly or annually and is applicable to all business types, located both in Ohio and outside Ohio, that operate in Ohio. The revenue from the CAT replaces the revenue from the phase-out of the corporation franchise tax and the tangible personal property tax. The CAT was enacted in 2005 as part of the tax reform measures contained in House Bill 66, and became effective July 1, 2005.

Taxpayer

The CAT is paid by Ohio businesses with taxable gross receipts of \$150,000 or more in a calendar year. This includes sole proprietors, partnerships, or corporations, as well as service providers such as medical professionals, attorneys, and accountants, and persons engaged in the sale or rental of any type of property.

The tax also applies to out of state businesses that either: (a) have at least \$500,000 in taxable gross receipts in Ohio; (b) have at least \$50,000 in real or personal property in Ohio; (c) expend at least \$50,000 in payroll for work in Ohio; or (d) have at least 25 percent of their total property, payroll, or gross receipts in Ohio.

Tax Base

The base of the CAT is gross receipts, defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income.

Examples are sales; performance of services; and rentals or leases. A taxpayer accounts for gross receipts using the same method of accounting as for federal income tax (i.e., accrual or cash basis).

Rates

The tax is being phased-in over a five-year period that began July 1, 2005. By tax year 2010, when the full rate is in effect, the rate is 0.26 percent on annual taxable gross receipts over \$1.0 million.

- The CAT rate for the first tax period from July 1 to December 31, 2005 was 0.06% on taxable gross receipts over \$500,000; the rate for January 1, 2006

STATE TAXES
COMMERCIAL ACTIVITY TAX

to March 31, 2006 was 0.0598% on gross receipts over \$1.0 million; and the rate for the remainder of 2006 was 0.104%.

- The rate is being phased-in by approximately 20 percent increments over the next three years.
- The rate for January 1, 2007 to March 31, 2007 is 0.104%; the rate from April 1, 2007 to December 31, 2007 is 0.156%.
- The rate from January 1, 2008 to March 31, 2008, is 0.156%; the rate from April 1, 2008 to December 31, 2008 is 0.208%.
- The rate from January 1, 2009 to March 31, 2009 is 0.208%; the rate from April 1, 2009 to December 31, 2009 is 0.26%.
- As of January 1, 2010, the rate of the CAT is 0.26%.
- Annual taxable gross receipts from \$150,001 - \$1.0 million are subject to a minimum \$150 tax (the minimum tax for the first tax period was \$75).
- Businesses with annual taxable gross receipts of \$150,000 or less are not subject to the CAT.

Major Exemptions

The CAT has a limited number of exemptions, including:

- Nonprofit organizations;
- Financial institutions;
- Insurance companies;
- Affiliates of financial institutions and insurance companies;
- Dealers in intangibles;
- Certain receipts by public utilities that are subject to the public utility excise tax; and
- Sales of motor fuel are exempted from inclusion in gross receipts for two years (*note: expired June 30, 2007*.)

Revenue (in millions)

Fiscal	
Year	Total
2006	\$273.4

STATE TAXES
COMMERCIAL ACTIVITY TAX

Disposition of Revenue

In fiscal year 2006, 22.6% of CAT revenue was dedicated to the School District Tangible Property Tax Replacement Fund. Thereafter, until fiscal year 2018, 70% of the revenue is dedicated to this fund.

***Note:** House Bill 119, the state's fiscal year 2007-2008 budget bill, provides that 70% of CAT revenues will continue to be dedicated to this fund beginning in FY 2019.*

Also in fiscal year 2006, 9.7% of CAT revenue was dedicated to the Local Government Tangible Property Tax Replacement Fund. Thereafter, until fiscal year 2011, 30% of the revenue is dedicated to this fund.

The remainder of CAT revenue in FY 2006 was dedicated to the General Revenue Fund.

Beginning in fiscal year 2007 and for a number of years thereafter, all CAT revenues will be deposited in the school district and local government property tax replacement funds and no revenues will be deposited in the General Revenue Fund.

Payment Dates

- All businesses liable for the CAT must register online with either the Ohio Business Gateway (**obg.ohio.gov**) or the Ohio Department of Taxation (**tax.ohio.gov**) prior to filing.
- Taxpayers with taxable gross receipts of \$1.0 million or more must file a quarterly return, due 40 days from the end of each calendar quarter (i.e., May 10, August 9, November 9, and February 9).
- Taxpayers with taxable gross receipts of less than \$1.0 million are liable for the annual minimum tax of \$150. Annual returns are due on or before February 9 of the next succeeding year. This annual return will report the taxable gross receipts for the prior year's activity as well as the pay the annual minimum tax for the current year.

Special Provisions and Credits

Distribution centers whose annual costs to their suppliers for goods shipped into their facility equal or exceed \$500 million and that ship more than 50% of their goods out of state are able to exclude the percentage that is shipped outside the state. However, distribu-



STATE TAXES
COMMERCIAL ACTIVITY TAX

tion centers that qualify for this exemption must pay a \$100,000 annual fee effective January 1, 2007 (this replaced a temporary exemption for qualified foreign trade zone areas that expired December 31, 2006).

The following credits are allowed beginning July 1, 2008:

- Job Creation Tax Credit.
- Job Retention Tax Credit.
- Credit for Qualified Research Expenses.
- Credit for Research and Development Loan Payments.

Sections of Ohio Revised Code

Sections 5751.01 - 5751.99.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2005 • Enacted in House Bill 66.

- Took effect July 1 at a rate of 0.06% on gross receipts over \$500,000 for the first six months; full rate of 0.26% on gross receipts over \$1.0 million to be phased in, in 20% increments, over five years; full permanent rate scheduled to be reached on April 1, 2009.
- Rate increased April 1 to 0.104% on gross receipts over \$1.0 million.
- Legislation enacted to exclude certain pre-income tax trusts and taxes collected by a taxpayer from a consumer; also added exemption for qualified distribution centers and required these centers to pay a \$100,000 annual fee.

Comparisons with Other States (05/07)

None of the comparison states reflected in this publication impose a tax which is exclusively measured by gross receipts. The tax most closely resembling the CAT is the Texas franchise tax ("margin tax") which, beginning January 1, 2008, will be based on the lesser of three alternative computations: total receipts less costs of goods sold; total receipts less compensation paid; or total receipts multiplied by 70%.

See the **Corporation Franchise Tax** chapter for further comparative information on state business taxes.

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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).

The tax is being phased out over tax years 2006 through 2010 (see **Franchise Tax Phase-Out**, later in this section).

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 within and without Ohio based upon certain situsing provisions. 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,



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times 20%), and the sales factor (the ratio of sales in Ohio to sales everywhere, times 60%).

Net income base apportionment:

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 5733.051. 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.

Receipts from services are situated 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:

The numerator and denominator of the net income base property, payroll, and sales factors are adjusted for purposes of the net worth base 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 5733.051. 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 for purposes of the net worth base apportionment the property factor is adjusted to include such property.

Rates

General Rate (excluding financial institutions):

Net worth base: 4.00 mills on Ohio taxable value. The maximum net worth base tax for each taxpayer is \$150,000.

Net income base: 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.

The minimum fee is \$1,000 if: (i) the sum of the taxpayer's gross receipts from its activities in and outside



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Ohio during the year equals or exceeds \$5.0 million, or (ii) 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 or family farm corporations.

Financial institutions rate:

13 mills on net worth, but the \$150,000 net worth tax limit does not apply. Financial Institutions are not subject to tax on the net income base.

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; during this same period Ohio's new commercial activity tax (CAT) will phase in for most taxpayers.

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 nonrefundable 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 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.

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.

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

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affiliates of insurance companies when engaged in insurance-type activities, and (g) "securitization" companies described in R.C. 5751.01(E)(10).

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, if organized not more than three years prior to March 31 of any tax year during the 2003-2007 period. (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.

Revenue (In Millions)

Fiscal Year	General Rev. Fund	Local Gov't. Funds	Other Funds*	Total
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
2006	1,054.9	47.5	3.5	1,105.9

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.

Payment Dates

January 31: 1/3 of tax liability but not less than the minimum fee. March 31: 2/3 of tax liability less previous payment. May 31: full balance of tax liability due.

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.

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.



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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 grant may be taken for manufacturing machinery and equipment purchased between July 1, 1995 and June 30, 2005 and located in Ohio. The grant is 7.5% of the amount by which the cost of the qualifying equipment purchased during a calendar year within 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%.

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



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franchise tax phase-out and the CAT phase-in, the 2008 franchise tax report is the last report for which the section 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).

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 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

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applies to: (i) taxpayer-manufacturers that make a capital investment of at least \$200 million at a single Ohio project site during any three consecutive calendar years, and to (ii) taxpayers that make a capital investment of at least \$100 million at a single Ohio project site during three consecutive calendar years 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 at the beginning of the fifth year after the Ohio Venture Capital Authority established its investment policy (as of June 25, 2004) 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.

Note: For taxable years beginning July 1, 2007, a refundable tax credit against the corporation franchise tax, individual income tax or dealers in intangibles tax is available to owners of historic buildings. This credit is equal to 25% of the owner's qualifying rehabilitation expenditures that are incurred in the rehabilitation of a historic building. The credit must be applied for from the Ohio Department of Development, and only 100 historic preservation tax credits can be approved during each two-year period beginning July 1, 2007.

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).

Sections of Ohio Revised Code

Chapter 5733.

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.
- 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 \$5,000.
- 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; financial institutions 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 continued through 1991.
 - Surtax on net income reduced to 2.7% in 1987, repealed in 1988.
 - "S" corporations exempted beginning in 1987.
- 1986 • Net income top rate decreased to 8.9% in 1988; lower bracket doubled to first \$50,000 of net income for 1989.

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- 1987 • Long-distance telephone companies subject to tax starting 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 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.
- 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-

STATE TAXES
CORPORATION FRANCHISE TAX

- 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.
 - 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 credit 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

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market-theory approach for sales other than inventory sales of tangible personal property and real estate. Sales of services and certain intangibles were situated to the location where the benefit of the sale is received.

- 2004 • Local exchange 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.
- 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, 2016.
 - Credit for 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 05/07)

California

8.84% of net income. Banks and financial corporations, excepting financial S-corporations, are subject to a 10.84% tax rate (the general corporation rate plus 2.0%). A 3.5% tax rate applies to financial S-corporations, and a 1.5% rate applies to all other S-corporations. A 6.65% alternative minimum tax is imposed.

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

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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 for corporations other than S-corporations, and 1.5% for S-corporations, partnerships, and trusts.

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:

Taxable Net Income			Rate
Up to	–	\$50,000	4.00%
\$50,001	–	100,000	5.00
Over	–	100,000	6.00

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. For taxable years beginning on or after January 1, 2006 and before January 1, 2007, alternative minimum tax relief eliminates the alternative minimum tax calculation for taxpayers with gross receipts or gross profits of \$3.0 million or less and reduces it for taxpayers with gross receipts or gross profits over \$3.0 million but less than \$6.0 million.

For taxable years beginning on or after January 1, 2007, the limited liability entity tax, which is computed in the same manner as the alternative minimum tax relief, replaces the alternative minimum tax calculation.

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; and
- 9.5% of taxable net income.

Michigan

Adjusted tax base includes business income, compensation paid to employees, interest payments, and depreciation of tangible



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assets. For taxpayers with a fiscal year ending in December, the tax year 2007 rate is 1.9%.

New Jersey

For tax year 2007, corporations pay the greater of the following:

- a minimum tax of \$500 to \$2,000, depending on amount of gross receipts, 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.

Plus a surtax of 4.0%.

New York

The greater of:

- 7.5% of allocated entire net income (6.5% for qualified in-state manufacturers);
- 0.178% of allocated business and investment capital (not to exceed \$350,000 for manufacturers or \$1.0 million for all other taxpayers);
- 2.5% of minimum taxable income;
- a fixed dollar minimum of \$100 to \$1,500, depending on gross payroll.

Plus 0.9% of allocated subsidiary capital.

Pennsylvania

9.99% of net income plus 0.389% 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

8.75% of net income plus additional franchise tax equal to \$50 or 0.55% of the value of the taxpayer's capital, whichever is greater.

STATE TAXES
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 or 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	GRF	Local Portion	Total
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
2006	19.1	14.5	33.6

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.
- 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



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DEALERS IN INTANGIBLES TAX

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 due 20 to 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.

***Note:** For taxable years beginning July 1, 2007, a refundable tax credit against the corporation franchise tax, individual income tax or dealers in intangibles tax is available to owners of historic buildings. This credit is equal to 25% of the owner's qualifying rehabilitation expenditures that are incurred in the rehabilitation of a historic building. The credit must be applied for from the Ohio Department of Development, and only 100 historic preservation tax credits can be approved during each two-year period beginning July 1, 2007.*

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.



STATE TAXES
DEALERS IN INTANGIBLES TAX

- 2005 • Effective for 2006, the term “primarily” is used to 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 05/07)
No other state has a similar special tax on dealers in intangibles.

STATE TAXES
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

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

<i>If the net taxable estate is:</i>	<i>The tax shall be:</i>
\$0 to \$338,333	A credit is granted equal to the lesser of \$13,900 or the amount of estate tax owed, effectively exempting estates up to \$338,333 from the estate tax.
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*

*The credit of \$13,900 is applied to total tax liability prior to determination of tax due.

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

<i>If the net taxable estate is:</i>	<i>The tax shall be:</i>
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:

<i>If the net taxable estate is:</i>	<i>The tax shall be:</i>
Not over \$40,000	2% of the net taxable estate

STATE TAXES
ESTATE TAX

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

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
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
2006	218.6	54.1	272.7

Notes: *State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent taxes payable from estates included in 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 estate 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.

History of Major Changes

- 1893 • An inheritance tax is levied on the succession of property from 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.

- 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 time frame 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 underpayments 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 05/07)

Illinois*

Estate tax is assessed in an amount equal to the credit allowable under the federal estate tax law in effect on December 31, 2001, recognizing an exclusion of up to \$2,000,000. Tax base is federal taxable estate situated to Illinois, reduced by \$60,000. Marginal tax rate is between 0.0% and 16%.

Massachusetts

Estate tax is assessed in an amount equal to the federal estate tax credit for state death taxes in effect on December 31, 2000. A practical filing threshold of \$1,000,000 exists. Tax base is federal taxable estate, reduced by \$60,000. Marginal tax rate is between 0.0% and 16%.

New Jersey

Estate tax is assessed in an amount equal to the federal estate tax credit for state death taxes in effect on December 31, 2001 or pursuant to a simplified method based on the net estate as determined for New Jersey inheritance tax. A practical filing threshold of \$675,000 exists. Tax base is federal taxable estate, reduced by \$60,000. Marginal tax rate is between 0.0% and 16%.

New York

Estate tax is assessed in an amount equal to the credit allowable under the federal estate tax law in effect on July 22, 1998. A practical filing threshold of \$1,000,000 exists. Tax base is federal taxable estate, reduced by \$60,000. Marginal tax rate is between 0.0% and 21%.

Some states, including **Indiana, Kentucky, and Pennsylvania**, levy inheritance taxes rather than estate taxes. **New Jersey** levies an inheritance tax in addition to an estate tax. An inheritance tax is based upon the succession of property transferred to an individual and the relationship of that individual to the decedent, rather 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 estate tax.

Note: *The law applies to estates of decedents with dates of death between January 1, 2005 and December 31, 2009.

STATE TAXES
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
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
2006	3.7	2.8	1.7	4.7	12.9

Disposition of Revenue**Distribution to:**

Ohio Passport Fund

Amount

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.

STATE TAXES
HORSE RACING TAX

Distribution to:	Amount
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.

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 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.
- 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 racetracks allowed.
- 1997 • 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.
- 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 Ohio River flood.

STATE TAXES
HORSE RACING TAX

- 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, with revenues also distributed to the State Racing Commission Operating Fund.
- 2005 • Two-year temporary additional tax of 0.25% on exotic wagering expired as of July 1, 2005.
- 2006 • One-year temporary additional tax of 0.25% on exotic wagering reinstated as of July 1, 2006.

Comparisons with Other States (As of 06/07)

Type of Racing	Rate Range
California	
All horse	0.4 - 2.0%
Harness	0.4%
Florida	
All horse	0.5 - 2.4%
Harness	0.5 - 3.3%
Dog	5.5 - 7.6%
Illinois	
All horse and harness	1.5%
Indiana	
All horse and harness	2.0 - 2.5%
Kentucky	
All horse	1.5 - 3.5%
Harness	0.0 - 3.1%*
Massachusetts	
All horse and harness	4.0 - 11.0%
All dog	4.0 - 11.75%

Note: *The tax is waived if the amount not paid is retained by the track to maintain and promote its facilities and live racing events.


 STATE TAXES
 HORSE RACING TAX
 

Type of Racing	Rate Range
Michigan	
All horse and harness	3.5%
New York	
All horse and harness	0.5 - 7.75%
Pennsylvania	
All horse and harness	2.5% (PA also applies a wagering tax of 1.5% and pool tax of 1.0%).
Texas	
All horse and greyhound	1.0 - 5.0% for live events, depending on the betting pool.
All horse	1.0 - 1.25 % for simulcast events, and greyhound depending on same or cross species.
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.

Note: *The tax is waived if the amount not paid is retained by the track to maintain and promote its facilities and live racing events.

STATE TAXES
INDIVIDUAL INCOME TAX

Taxpayer

Individuals, estates, and trusts residing in Ohio or earning or receiving in Ohio income, including lottery winnings, prizes, or awards. Also, every individual, trust, and estate otherwise having nexus with or in this state under the U.S. Constitution. Also, employers who pay wages and salaries to employees working in Ohio and not residing in a border state.

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 exemption/deductions allowed to estates, and there are no exemption credits allowed to estates and trusts.

Rates (Tax Year 2007)

Ohio Taxable Income	Tax Calculation
0 - \$5,000	\$0.00 + 0.649% of Ohio taxable income
\$5,001 - \$10,000	\$32.45 + 1.299% of excess over \$5,000
\$10,001 - \$15,000	\$97.40 + 2.598% of excess over \$10,000
\$15,001 - \$20,000	\$227.30 + 3.247% of excess over \$15,000
\$20,001 - \$40,000	\$389.65 + 3.895% of excess over \$20,000
\$40,001 - \$80,000	\$1,168.65 + 4.546% of excess over \$40,000
\$80,001 - \$100,000	\$2,987.05 + 5.194% of excess over \$80,000
\$100,001 - \$200,000	\$4,025.85 + 6.031% of excess over \$100,000
\$200,001 - over	\$10,056.85 + 6.555% of excess over \$200,000

Note: Tax rates for 2006 through 2009 are outlined in Ohio Revised Code 5747.02(A).

In July of each year, beginning in 2010, the Tax Commissioner shall adjust the income amounts prescribed by multiplying the percentage increase in the gross domestic product deflator, computed that year under Ohio Revised Code 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.

STATE TAXES
INDIVIDUAL INCOME TAX

Under the provisions of section 131.44 and division (B) of 5747.01, the rates for each year are adjusted downwards for that year if the Ohio Director of Budget and Management determines that the balance of the Ohio Stabilization Fund is sufficiently over budget to allow for such a tax rate reduction.

Major Exemptions

See Special Provisions/Credits .

Revenue (In Millions)

Fiscal Year	General Rev. Fund	Local and Library Funds	Other*	Total
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
2006	8,786.4	829.3	7.5	9,623.2

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. Such transfers occurred in fiscal years 2002 and 2003.



STATE TAXES
INDIVIDUAL INCOME TAX

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 fiscal years 2006 and 2007, each of the three local government funds receive the same amount of revenue as they received during fiscal year 2005.

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 taxable year and January 15 of the following year.

For employers:

Employers remit withholding tax from several times a week to quarterly, depending on the amount of income tax withheld.

Special Provisions/Credits

Standard Personal Exemption and Credit:

Personal exemptions for tax year 2006 were \$1,400 per person and \$1,450 in tax year 2007. This amount is adjusted for (or "indexed to") inflation each year. A credit against tax due of \$20 per each personal exemption is allowed.

Joint Filing 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 in-

STATE TAXES
INDIVIDUAL INCOME TAX

come. The maximum credit is \$650. The credit is a percentage of the tax after several other 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

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 (and Included in Ohio Taxable Income)	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).

Note: Beginning in 2007, military pay received while the servicemember is stationed outside the state is excepted from tax, if the individual is domiciled in Ohio, that is, s/he is a resident of this state, according to the state of legal residence/home of record entered in her/his 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 Ohio Department of Taxation Form IT 1040, 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



STATE TAXES
INDIVIDUAL INCOME TAX

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 not file with Ohio. Exception: this rule does not apply if the individual owns, directly or indirectly, at least 20% of a pass-through entity having nexus with Ohio.

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.

Credit for Displaced Workers:

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 for 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 for the Ohio 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 who adopt a child, except a stepchild, may claim a nonrefundable credit of \$500.

Note: For taxable years beginning in 2007 and thereafter, taxpayers may deduct up to \$10,000 in qualified organ donation expenses incurred during the taxable year. This applies to unreimbursed travel and lodging expenses in connection with donation to a human being of a human liver, pancreas, kidney, intes-

STATE TAXES
INDIVIDUAL INCOME TAX

tine, lung, or bone marrow. For married persons filing jointly, the deduction can be up to \$10,000 for each taxpayer.

Nonresident Credit for Individuals and Estates:
Computation of credit changed; market-theory approach implemented for sales other than inventory sales of tangible personal property and real estate.

Credit for Individuals Having Ohio Taxable Income of \$10,000 and less.

For taxable years beginning in 2005 or thereafter, a credit is allowed when Ohio adjusted gross income less exemptions (Ohio taxable income) is \$10,000 or less. The credit is equal to the amount of tax owed:

2005	\$107.00
2006	102.00
2007	98.00
2008	93.00
2009	88.00

Note: For taxable years beginning July 1, 2007, a refundable tax credit against the corporation franchise tax, individual income tax or dealers in intangibles tax is available to owners of historic buildings. The credit is equal to 25% of the owner's qualifying rehabilitation expenditures that are incurred in the rehabilitation of a historic building. The credit must be applied for from the Ohio Department of Development, and only 100 historic preservation tax credits can be approved during each two-year period beginning July 1, 2007.

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.

Federal Adjusted Gross Income (FAGI)

Add*	Subtract*
1. State and local bond interest to the extent (except Ohio and its political subdivisions).	1. Federal bond interest to the included in FAGI.
2. Reimbursement of college tuition expenses and fees deducted in a previous year.	2. Disability and survivor's benefits to the extent included in FAGI.
3. Losses from sale of Ohio public obligations.	3. Compensation earned in Ohio by residents of reciprocity states.

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

STATE TAXES
INDIVIDUAL INCOME TAX

- | | |
|--|--|
| 4. Nonmedical withdrawals from medical savings accounts. | 4. Social security and railroad retirement benefits to the extent included in FAGI. |
| 5. Noneducation expenditures from a college savings account. | 5. State and municipal income tax refunds to the extent included in FAGI. |
| | 6. Qualified expenses for long-term care insurance, medical insurance, 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. |
| | 9. Military income received by Ohio residents while stationed outside Ohio (for 2007 and thereafter). |



Ohio Adjusted Gross Income

Subtract

Personal Exemptions of \$1,450 each (in 2007).



Ohio Taxable Income



Apply

Graduated tax rates (see Rates section).



Tax Before Credits

Subtract*

1. Personal exemption credit of \$20 per person.
2. Senior citizen credit of \$50 or lump sum distribution credit.
3. Credit for taxable income \$10,000 and less.

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

STATE TAXES
INDIVIDUAL INCOME TAX

4. Retirement income credit.
5. Child and dependent care credit.
6. Credit for displaced workers.
7. Political contribution credit.
8. Adoption credit.
9. Joint filing credit for two working spouses (graduated based on income with a maximum credit of \$650).
10. Lump sum retirement income credit.
11. Various business credits.



**Ohio Individual Income Tax Liability
Before Refundable Credits**

Subtract



Refundable credits.



**Ohio Individual Income
Tax Net Liability**

Sections of Ohio Revised Code

Chapter 5747.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

- 1912 • Ohio constitutional amendment permitted income taxes.
- 1971 • Individual income tax enacted, effective for 1972.
- 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).

STATE TAXES
INDIVIDUAL INCOME TAX

- 1982 • Two new income tax brackets added above \$80,000 of taxable income for 1982 and 1983.
 - Temporary tax withholding 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 in 1982, made permanent.
 - Provisions enacted allowing a taxpayer to claim for each \$650 personal exemption an additional \$350 exemption or \$20 credit.
 - Temporary tax withholding 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, 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% in 1987 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.

STATE TAXES
INDIVIDUAL INCOME TAX

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

STATE TAXES
INDIVIDUAL INCOME TAX

- 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 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 • Rates begin a five-year phased reduction in all brackets beginning with a 4.2% reduction from 2004 rates; the total reduction will be 21% from 2004 rates.
- Credit granted for taxpayers whose adjusted gross income is \$10,000 or less. The credit equals the tax otherwise due.
- 2006 • Effective January 1, 2007, servicemembers can deduct military pay and allowances received while stationed outside the state.

Comparisons with Other States (As of 05/07)

Personal Exemptions(1)

Married/

State/Rate(1)	Single	Joint	Dependent
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California(2)

1.0% tax on the first \$6,622 of taxable income, up to 9.3% of portion of income over \$43,468; 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.

Notes: (1) The tax rate and exemptions are for tax year 2007 unless otherwise noted. For states with multiple schedules, the rate for single filers is listed. (2) California credits for tax year 2007 are \$91 for single, married filing separately, and for head of household; \$184 for married filing jointly or surviving spouse; and \$285 per dependent. (3) States with only one tax schedule. (4) Kentucky tax credits for tax year 2007 are \$20 for single, \$40 for joint, and \$20 per dependent.

STATE TAXES
INDIVIDUAL INCOME TAX

State/Rate(1)	Personal Exemptions(1)		
	Single	Married/ Joint	Dependent
Florida	No state income tax.		
Illinois(3) 3.0% on taxable net income.	\$2,000	\$4,000	\$2,000
Indiana(3) 3.4% on adjusted gross income.	\$1,000	\$2,000	\$1,000
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) 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%.	\$4,125	\$8,250	\$1,000
Michigan(3) 3.9% on taxable income.	\$3,300	\$6,600	\$3,300
New Jersey 1.4% on first \$20,000 of taxable income, up to 8.97% on portion of income over \$500,000.	\$1,000	\$2,000	\$1,500
New York 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.	0	0	\$1,000
Pennsylvania(3) 3.07% on taxable income.	No exemptions.		
Texas	No state income tax.		
West Virginia 3.0% on first \$10,000 of taxable income, up to 6.5% on portion of income over \$60,000.	\$2,000	\$4,000	\$2,000

Notes: (1) The tax rate and exemptions are for tax year 2007 unless otherwise noted. For states with multiple schedules, the rate for single filers is listed. (2) California credits for tax year 2007 are \$91 for single, married filing separately, and for head of household; \$184 for married filing jointly or surviving spouse; and \$285 per dependent. (3) States with only one tax schedule. (4) Kentucky tax credits for tax year 2007 are \$20 for single, \$40 for joint, and \$20 per dependent.

STATE TAXES
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
2002	\$132.5
2003	160.3
2004	166.1
2005	171.4
2006	170.4

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.

The 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



STATE TAXES
INSURANCE TAX – DOMESTIC

from tax year 1999 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, 5725.98, 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.
- 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.

STATE TAXES
INSURANCE TAX – DOMESTIC

- 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 05/07)

State	Tax Rate(1)
California	In general, 2.35% of gross premiums; federally exempt pensions and profit-sharing plans, 0.5%.
Florida	Annuities 1.0%(2); wet marine and transportation, 0.75%; self-insurers, 1.6%; all others, 1.75% of gross premiums. Fire marshal assessment is 1.0%.
Illinois	0.5% of net premiums written in the state, except 0.4% for health maintenance organizations.
Indiana	Companies are subject to gross income tax unless they elect to pay 1.3% tax on gross premiums; fire insurance, 0.5% of gross premiums received from Indiana-based policies.
Kentucky	In general, 2.0% of gross premiums, plus 1.5% surcharge on premiums for Kentucky risks. Fire insurers pay an additional surtax of 0.75% of premiums. Life insurance companies may elect to pay a tax on intangible property in lieu of the gross premiums tax.
Massachusetts	2.0% of taxable gross premiums, plus a surtax of 14% of the tax imposed.

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) Insurers are subject to Illinois income and replacement taxes, also. Certain offsets and limits may apply. (4) Insurance companies also pay New York corporate franchise tax.

STATE TAXES
INSURANCE TAX – DOMESTIC

State	Tax Rate(1)
Michigan	Single-business tax plus surcharge of 1.26 times the taxpayers' liability, which results in an effective tax rate of 1.0735% on company's adjusted receipts less credits
New Jersey	In general, 1.05% of gross premiums on group accident and health; all others 2.1%.
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.
Texas	Life, accident, and health insurers are taxed at 1.75% of gross premiums; most others are taxed at 1.6%.
West Virginia	Rates of 3.0% 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) Insurers are subject to Illinois income and replacement taxes, also. Certain offsets and limits may apply. (4) Insurance companies also pay New York corporate franchise tax.

STATE TAXES
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.

Rate

The rate for foreign insurers 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
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
2006	248.8	20.2	269.0

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 ½ of previous year's tax before credits.
- March 1: Payment of balance of taxes for current tax year.
- June 15: Final payment or refund.

The tax year is the year in which the payments are filed. Payments 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 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.



STATE TAXES
INSURANCE TAX – FOREIGN

Comparisons with Other States (As of 05/07)

State	Tax Rate*
Indiana	Foreign insurers pay 1.3% of gross premiums.
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 pay the greater of the retaliatory tax or the single business tax.

In **California, Florida, Illinois, Kentucky, New Jersey, New York, Pennsylvania, Texas, and West Virginia**, foreign insurance companies are taxed the same as domestic insurance companies except that foreign insurance companies are also subject to retaliatory taxes.

In virtually all states, 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.

STATE TAXES
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 End User	Rate per kWh
0 – 2,000 kWh	\$0.00465
2,001 – 15,000 kWh	0.00419
Over 15,001 kWh	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.

Note: This is scheduled to fall to 3.5% on July 1, 2008.

Major Exemptions

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

STATE TAXES
KILOWATT-HOUR TAX

Revenue (In Millions)

Fiscal Year	State Gen. Rev. Fund	Local Government Funds	School District Prop. Tax Repl. Fund	Local Gov't Prop. Tax Repl. Fund	Total
2002	\$323.3*	0.0	\$132.7	\$57.2	\$513.2
2003	339.9*	0.0	137.0	62.6	539.5
2004	339.0*	0.0	136.7	62.4	538.1
2005	339.8*	0.0	137.0	62.6	539.4
2006	325.3	25.7	141.5	64.6	557.1

Note: * All state revenue payments were made to the General Revenue Fund.

Disposition of Revenue

The General Revenue Fund receives 59.976%, the School District Property Tax Replacement Fund receives 25.4%, the Local Government Fund receives 2.646%, the 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. During fiscal years 2006 and 2007, a designated amount of kilowatt-hour tax revenues was deposited 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.

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 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 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 in effect July 1, 2003 through June 30, 2005 were effectively extended through November 30, 2007.

Comparisons with Other States (As of 05/07)

California

\$0.00022 per kilowatt hour of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging ranging from \$0.00202 to \$0.0033 on consumption for delivery suppliers, or 5.1% of the purchase price for self-assessors. Electricity purchased from municipal systems and electric cooperatives is taxed at a flat rate of \$0.0032 per kilowatt-hour or



STATE TAXES
KILOWATT-HOUR TAX

5.0% of the purchase price. 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.

West Virginia

Distributors of electricity pay a variable rate, depending on whether power sold was generated in-state by the taxpayer (\$0.0005 per kilowatt-hour used) or outside the state (\$0.0019 per kilowatt-hour used). Electric power sold to large users (200,000 kilowatts per hour per year) is also taxed at \$0.0005 per kilowatt hour regardless of where it is generated.

Florida, Indiana, Kentucky, Massachusetts Michigan, New York, Pennsylvania and Texas have no specific tax on volume of electricity consumed or distributed. Electric companies are subject to general business taxes.

STATE TAXES
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 an additional levy of 15 cents per each gallon.

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
2002	\$1,383.3
2003	1,456.1
2004	1,536.9
2005	1,667.3
2006	1,787.6

Disposition of Revenue

The following items receive revenue first:

- Monthly \$100,000 allocation to the Grade Crossing Fund.

STATE TAXES
MOTOR VEHICLE FUEL TAX

- Monthly distribution to the Ohio Turnpike Commission equal to five cents on each gallon of fuel sold at stations operated by the commission.

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

Motor Vehicle fuel is not subject to sales tax.

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	Total Change	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

STATE TAXES
MOTOR VEHICLE FUEL TAX

Year	Total Change	Tax After Change
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
1982	• 1.4 cents per gallon increase	11.7 cents
1983	• 0.3 cents 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

STATE TAXES
MOTOR VEHICLE FUEL TAX

Comparisons with Other States (As of 05/07)

(Motor vehicle fuel tax rates shown in this table 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, 2007.

State	Tax Rate (cents per gallon)		Sales Tax Applicable
	Gasoline	Diesel Fuel	
California(1)	18.00	18.00	Yes
Florida(2)	25.50	28.50	Yes
Illinois(3)	20.10	22.60	Yes
Indiana(4)	18.00	16.00	Yes
Kentucky (5)	19.70	16.70	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)	24.60	22.85	Yes
Pennsylvania(9)	31.20	38.10	No
Texas	20.00	20.00	No
West Virginia(10)	31.50	31.50	Yes

Notes: (1) Sales tax rate on the sale of gasoline is 7.25%. (2) Total rate shown composed of: state taxes of 15.3 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%. Rate includes a 1.4 cent per gallon environmental assurance fee. 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 gross receipts tax levied on the sale of gasoline and diesel fuel. (8) Rate for gasoline and diesel fuel includes an embedded 8.05 cents per gallon excise tax and the 8.0 cents per gallon 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 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) Rate includes an 11 cents per gallon sales and use tax.

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 with a gross vehicle weight or a registered 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 its political subdivisions.

Revenue (In Millions)**Fiscal**

Year	Total
2002	\$69.4
2003	71.4
2004	72.3
2005	70.5
2006	71.2

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.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapter 5728.

STATE TAXES
MOTOR VEHICLE FUEL USE TAX

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.

Comparisons with Other States (As of 05/07)

State	Tax Rate (Cents per gallon)		Sales Tax Applicable
	Gasoline	Diesel	
California(1)	—	36.70	Yes
Florida(2)	20.37	30.57	Yes
Illinois(3)	32.90	36.70	Yes
Indiana(4)	29.00	27.00	Yes
Kentucky(5)	21.30	22.20	No
Massachusetts	21.00	21.00	No
Michigan(6)	—	28.00	Yes
New Jersey	14.50	17.50	No
New York(7)	38.60	36.85	Yes
Pennsylvania	31.20	38.10	No
Texas	20.00	20.00	No
West Virginia(8)	31.50	31.50	Yes

Source: International Fuel Tax Administration (IFTA). All data current as of January 1, 2007.

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 3.0 cents per gallon for gasoline and 6.9 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) Rate includes an 11 cents per gallon sales and use tax.

STATE TAXES
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:	\$24.50
Transit buses:	\$26.50
Non-commercial trucks (no more than $\frac{3}{4}$ ton) and motor homes:	\$49.50
Non-commercial trucks (more than $\frac{3}{4}$ ton and less than 1.0 ton):	\$84.50
Commercial trailers, semi-trailers:	\$39.50

Notes: *The registration fees shown above do not include deputy fees or 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 base fee is \$56. For vehicles with a gross weight between 78,001 lbs. and 80,000 lbs., the base fee is \$1,351. This does not include permissive taxes, which vary based on the taxing district.

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 base fee ranges from \$16 to \$42. Permissive taxes are not included, which are based on the taxing district.

STATE TAXES
MOTOR VEHICLE LICENSE TAX

Motor 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 base fee is \$21. For vehicles with a gross weight between 78,001 and 80,000 lbs., the base fee is \$1,641. This does not include permissive taxes, which are based on the taxing district.

Farm Trucks:

Rates vary between several weight classes depending on the unladen vehicle weight.

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 the owner becomes an Ohio resident.
- Historical registrations (vehicles 25 year and older).

Revenue (In Millions)

Fiscal Year	Total
2002	\$670.2
2003	673.3
2004	770.8
2005	773.8
2006	831.8

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:

- 34% to municipal corporation or county of registration;
- 47% to county in which vehicle owner resides;



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- 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:
Staggered registration – vehicles are registered based on the last two digits of the social security number or tax ID. All vehicles are to be registered by the last day of their expiration month.
- Passenger cars and noncommercial vehicles are required to be registered annually by the owner's birth date.

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.

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.
- 1988 • Registration according to owner's birthdate enacted.
 - Bureau of Motor Vehicles required to begin mail registration.
- 1989 • Converted the fee structure of commercial vehicle registrations from unladen weight to gross vehicle weight as of June, 1991.
- 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 • Biennial registration permitted.
 - Staggered registration begun for commercial vehicles.
- 2005 • Print-on-demand (POD) forms for vehicle registrations replaced the preprinted consigned application forms.
 - Business Applications Services System (BASS) implemented statewide. Customers began receiving 8 ½" x 11" registration cards.

STATE TAXES
MOTOR VEHICLE LICENSE TAX

Comparisons with Other States (As of 05/07)*

State	Passenger Cars	Commercial Vehicles
California	\$49.00, plus 0.65% of market value. Electric vehicles are an additional \$10.	\$1,431.00
Florida	\$27.60 - \$45.60, depending on weight of vehicle.	\$694.60
Illinois	\$78	\$2,253.00
Indiana	\$20.75 plus an excise tax of \$12 - \$532, based on selling price when new and age of vehicle.	\$810.00
Kentucky	\$11.50	\$1,007.00
Massachusetts	\$36 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 of vehicles valued up to \$30,000. Minimum fee of \$148 for vehicles valued over \$30,000.	\$1,268.00
New Jersey	\$35.50 - \$84.00, based on weight and model year.	\$928.50
New York	Variable based on weight: minimum = \$10.25 maximum = \$56.00; electric-propelled = \$13.00	\$345.75
Pennsylvania	\$36	\$891.00
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

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, as well as miscellaneous state and/or local exemptions that might increase the fee charged.


STATE TAXES
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State	Passenger Cars	Commercial Vehicles
West Virginia	\$28.50	\$816.25

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, as well as miscellaneous state and/or local exemptions that might increase the fee charged.

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 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
2006	47.5	21.6	69.1

Disposition of Revenue

- School District Property Tax Replacement Fund receives 68.7%.



STATE TAXES
NATURAL GAS CONSUMPTION TAX

- 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%.

Comparisons with Other States (As of 05/07) **California**

Tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2007 ranges from \$0.00170 to \$0.13034 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. A gas use tax is imposed at the same rate on the purchase of natural gas from outside of Illinois for use or consumption in Illinois.



STATE TAXES
NATURAL GAS CONSUMPTION TAX

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 the end of 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 AND 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 otherwise due and payable by pass-through entity investors.

Taxpayer

Qualifying pass-through entities and qualifying trusts are subject to this tax.

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.
- 5.1% entity tax on the adjusted qualifying amount of qualifying corporate investors that are not individuals and that are subject to the corporation franchise tax phase-out reduction (60%) for the taxable year beginning in year 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 that are 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:

- Any pass-through entity if all the equity investors are
 - (i) Ohio corporation franchise taxpayers, and/or
 - (ii) corporations exempt from the Ohio corporation franchise tax under Ohio Revised Code 5733.09.
- 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 above discussion of "qualifying investor.")

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.

Revenue (In Millions)

5.0% withholding tax(1)(2):

Fiscal Year	Total Tax
2002	\$48.7
2003	55.0
2004	62.6
2005	71.4
2006	91.2

STATE TAXES

PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

8.5% entity tax(1)(3):

Fiscal Year	Total Tax
2002	\$7.3
2003	10.8
2004	14.4
2005	20.2
2006	37.9

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

Fiscal Year	Total Tax
2002	\$49.4
2003	67.3
2004	75.5
2005	101.7
2006	104.4

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 FY 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.



STATE TAXES
PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

During fiscal years 2006 and 2007, each of the three local government funds receive the same amount of revenue as they received during fiscal year 2005.

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 of the following calendar year.

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 of the following calendar year. 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.

Credits/Special Provisions

Each qualifying individual investor may claim a refundable tax credit in a pass-through entity against their Ohio individual income tax. The credit equals the qualifying 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. The credit equals the investing corporation's proportionate share of the entity tax.

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.

Sections of Ohio Revised Code

5733.40 – 5733.41 and 5747.40 – 5747.45

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 • Each partner in a partnership and each member of a Limited Liability Company (LLC) must add back 5/6 of the partner's/member's share of the bonus depreciation deduction passed through from the entity to the partner/member.
- 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 • A partner in a partnership and a member of an LLC must add back 5/6 of the partner's/member's share of "qualified Internal Revenue Code section 179" depreciation.
- Sales factor amendments: cost of performance standard replaced with market-theory approach for sales other than sales of inventory (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 but only if those persons (i) are authorized to do the business of insurance in this state, and (ii) are paying the 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 05/07)

The Ohio pass-through entity tax is essentially a withholding tax on the distributive shares of income of qualifying investors (generally corporations and non-resident investors).

The states with a tax most closely approximating the Ohio pass-through entity tax are those requiring withholding tax on the pass-through entity income of non-resident investors.

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

STATE TAXES
PUBLIC UTILITY EXCISE TAX

Taxpayer

Public utilities, as follows: 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.

Tax Base

Public utilities are taxed on gross receipts from intra-state business.

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, rail road and rural electric companies.

Revenue (In Millions)

Fiscal Year	General Revenue Fund	Local Funds	Other*	Total
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
2006	176.2	11.0	0.0	187.2

Note: * Includes the 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 de-



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PUBLIC UTILITY EXCISE TAX

posited 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. During fiscal years 2006 and 2007 each of the local government funds receive the same amount of revenue as they received during fiscal year 2005.

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

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.

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).
 - 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 freightline 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.

STATE TAXES
PUBLIC UTILITY EXCISE TAX

- 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.
- 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 05/07)

California

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

Florida

Gas and electric companies pay a tax of 2.5% on gross receipts. Any person who imports electricity or natural gas into the state for own use is subject to a use tax at the same rate. A tax of 9.17% (6.8% of the sale price plus 2.37% on gross receipts) is levied on retail communications services, including cable services. Tax on residential telephone services is 2.37%. Local taxing jurisdictions may impose an additional levy. 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. Satellite services are exempt from any local communication services levy. Use tax provisions also apply to communication services.



STATE TAXES
PUBLIC UTILITY EXCISE TAX

Illinois

Telecommunications companies pay 7.0% tax on gross charges plus 0.5% for telecommunications infrastructure maintenance fees. Municipalities may impose an additional tax not to exceed 6.0%. (See also **Comparisons with Other States** in **Kilowatt-Hour Tax** and **Natural Gas Consumption Tax**.)

Indiana

A 1.4% excise tax is imposed on the gross receipts from the sale of electricity, natural gas, water, steam, sewage, or telecommunications services within the state. A 1.4% use tax is imposed on the consumption of utility services purchased from out-of-state providers.

Kentucky

Public utilities pay a 3.0% utility gross receipts license tax for schools. In addition, telecommunications providers pay a tax of 1.3% of gross revenues for providing telecommunications services or 2.4% of gross revenues for providing multi-channel video programming services in the state.

Massachusetts

A 6.5% utility franchise tax is levied on the entire net income of completely intrastate utility companies and the allocated net income of interstate utility companies.

Michigan

The state does not levy a specific public utility excise tax. Utilities are subject to the single business taxes.

New Jersey

No general public utility excise tax. Sewage and water corporations are subject to a tax of 2.0% or 5.0% of gross receipts (depending upon amount of gross receipts), plus 7.5% of gross receipts from New Jersey business for the previous calendar year, plus a surcharge of 0.25% to 0.9375% of prior year 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. Cities



STATE TAXES
PUBLIC UTILITY EXCISE TAX

other than New York and villages may impose selective gross receipts taxes on sales of utility services. The maximum rate is 1.0% except for Buffalo, Rochester and Yonkers, which are authorized to impose a 3.0% tax rate. New York City levies a 2.35% tax on the gross income of utilities and the gross utility income of vendors of utility services.

Pennsylvania

Electric companies pay a rate of 4.4% on gross receipts plus a revenue-neutral reconciliation rate of 1.5% for a total rate of 5.9%. Transportation, telecommunications, and telegraph companies pay a rate of 4.5% on gross receipts plus a 5-mill surtax. 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 from business done in incorporated villages and towns, depending upon class of utility and population of the town in which the utility operates.

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 and toll bridge companies pay a tax of 4.29% on gross receipts. Water companies pay a tax of 4.4%. Electric power companies (producers) pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86%.

STATE 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
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
2006	7.1	0.2	7.3

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.

STATE TAXES
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.
- 2005 • Tire fee extended through June 30, 2011.

Comparisons with Other States (As of 05/07)

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.



STATE TAXES
SALES AND USE TAX

Taxpayer

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

Tax Base

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

Rate

5.5% rate (effective July 1, 2005). Tax is 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.

Note: An exemption for motor vehicle sales to nonresidents was changed in 2007, and sales of motor vehicles, to residents of states that charge sales tax to Ohio residents – specifically Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina, and Washington – became taxable effective August 1, 2007.

STATE TAXES
SALES AND USE TAX**Revenue** (In Millions)

Fiscal Year	General Revenue Fund	Local Funds	Other(1)	Total
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
2006	7,368.2	301.3	3.5	7,673.0

Notes: (1) Includes Attorney General Claims Fund. (2) Two-year temporary rate increase 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.

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.

Quarterly returns:

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

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 R.C. 5739.101-5739.105) 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). 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.

STATE TAXES
SALES AND USE TAX

- 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.
- 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 warrant 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).

STATE TAXES
SALES AND USE TAX

- Tax exemption provided for purchases of building and construction materials to be incorporated into a horticulture or livestock structure.
- 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 • Exemption added for labeling and labeling equipment 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.
 - Treatment of charitable nonprofit organizations clarified.
 - Exemption for certain types of energy systems purchased

STATE TAXES
SALES AND USE TAX

- 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 that 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% percent 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.



STATE TAXES
SALES AND USE TAX

- 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.
- 2006 • Added an exclusion from the definition of employment services for transactions where the service was resold.
- Exempted from use tax property withdrawn from inventory and donated to a charitable organization.
 - Delayed mandatory conversion to destination sourcing for all vendors until January 1, 2008.

STATE TAXES
SALES AND USE TAX**Comparisons with Other States** (As of 05/07)

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	9.25
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(3)	7.00	0.00	7.00
New York	4.00	5.00	9.00
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia(4)	6.00	0.00	6.00

Notes: (1) Rate shown is the highest combined total local district/county 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. (3) In designated Urban Enterprise Zones, the rate on certain items is assessed at 50% of the usual rate (or 3.50%). (4) The tax on sales of food ingredients intended for human consumption (but not prepared food) is 5.0%.

STATE TAXES
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	10 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. Additional levies of 1.2 cents per ton for surface mining operations and 16 cents per ton for operations without a full cost bond were enacted in 2006.

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
2002	\$8.0
2003	7.5
2004	7.5
2005	7.6
2006	7.7

Disposition of Revenue

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

- Oil and Gas Well Fund
- Unreclaimed Lands Fund
- 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.
- 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.
- 2006 • Changed the taxes levied on the extraction of coal: eliminated the temporary provision and increased the

STATE TAXES
SEVERANCE TAX

base rate to 10.0 cents per ton; added an additional levy of 1.2 cents per ton for surface mining operations; and added an additional levy of up to 16.0 cents per ton on operations without a full cost bond.

Comparisons with Other States (As of 05/07)

State/Resource	Rate
California	
Oil and gas	\$0.061889 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(1)	\$0.447 per Mcf of gas (1,000 cubic feet) produced and sold or used by a producer.
Sulfur(1)	\$4.51 per long ton.
Minerals (except phosphate rock and heavy minerals)	8.0% of market value.
Phosphate rock	\$1.71 per ton.
Heavy minerals	\$2.96 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.
Kentucky	
Oil	4.5% of market value.
Coal(2) 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.

Notes: (1) Effective July 1, 2007. (2) Coal used for burning solid waste is taxed at \$0.50 or 4.0% percent of the selling price per ton. (3) Rates shown do not include additional oil field and gas field clean-up fees.

STATE TAXES
SEVERANCE TAX

State/Resource	Rate
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 (3)	7.5% of market value.
Oil and gas condensate(3)	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.
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: (1) Effective July 1, 2007. (2) Coal used for burning solid waste is taxed at \$0.50 or 4.0% percent of the selling price per ton. (3) Rates shown do not include additional oil field and gas field clean-up fees.



LOCAL TAXES



Introduction

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 may be imposed and collected locally, where the revenue remains. The following tables illustrate the taxing powers at each level of local government in Ohio.

Political Subdivision	Taxing Authority
<p>Counties</p>	<p>Counties may levy a sales tax with or without a vote of the people but subject to voter referendum (these taxes are normally referred to as "permissive taxes"). Counties also collect a share of property taxes and may impose additional property tax, subject to voter approval, for public safety and road maintenance purposes, or for certain specific purposes, such as historic preservation, a zoo or a cultural facility. In addition, counties and certain large municipalities may levy, without voter approval, taxes on the cost of 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 may also levy, with or without voter approval but subject to referendum, permissive taxes on alcoholic beverages and cigarettes for sports facility funding purposes; Cuyahoga County is the only county currently doing so.</p>

LOCAL TAXES
POLITICAL SUBDIVISIONS

<p>Cities and villages (1)</p>	<p>May levy income taxes up to 1.0 percent; any level above that must be approved by voters; also property taxes, subject to voter approval, for police or fire protection; and taxes on lodging or admissions, neither of which requires voter approval, for general revenue or in certain municipalities, to fund a convention facility.</p>
<p>Townships</p>	<p>May levy property taxes, subject to voter approval, for police or fire protection or road maintenance; also a tax on lodging, which does not require voter approval, for general revenue.</p>
<p>School districts</p>	<p>May levy property taxes subject to voter approval, for operations or a specific purpose, such as school construction; and income tax, also subject to voter approval.</p>

Notes: (1) In Ohio, cities have 5,000 or more inhabitants. Villages have fewer than 5,000 inhabitants. (2) Examples of services provided by special districts include special educational services, libraries, mental health, children's services and senior care services.

LOCAL TAXES
POLITICAL SUBDIVISIONS

Park districts	May levy property taxes subject to voter approval, for operations or a specific purpose.
Special districts(2)	May levy property taxes subject to voter approval, for operations or a specific purpose.
Fire districts	May levy property taxes subject to voter approval, for operations or a specific purpose.
Water or sewer districts	May levy property taxes subject to voter approval, for operations or a specific purpose. such as facility or service line construction.
Transit authorities	May levy sales taxes , subject to voter approval, for operations or a specific purpose.

Notes: (1) In Ohio, cities have 5,000 or more inhabitants. Villages have fewer than 5,000 inhabitants. (2) Examples of services provided by special districts include special educational services, libraries, mental health, children's services and senior care services.

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.

Rates

Admissions tax rates vary among municipalities from 1.5% to 8.0%. However, approximately 72.7% of all municipalities' rates are at 3.0%.

In 2005, the most recent year for which data is available, 66 municipalities levied an admissions tax, comprising 51 cities and 15 villages.

Major Exemptions

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

Revenue (In Millions)

Calendar

Year	Total
2001	\$21.7
2002	22.0
2003	21.9
2004	19.9
2005	20.9

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.

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 05/07)

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 \$2.25 per ticket (depending on ticket price). The city of Santa Cruz charges a 5.0% tax on the price of admission to, or registration for, events.

Florida

Admissions charges are subject to sales tax of 6.0%.

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. A riverboat casino admission tax is paid by casinos at a rate of between \$3.00 and \$5.00 per person, depending on the number of people admitted to the casino during the previous year.

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. Admissions tax for dockside and cruising casino riverboats is \$3.00 per person.

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.

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.

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 4.0% 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), night-clubs 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 an 8.0% tax on admissions to clubs and cabarets. Localities with horseracing tracks may impose a local racing admissions tax of up to 5.0%.

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.


LOCAL TAXES
ADMISSIONS TAX**West Virginia**

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

LOCAL TAXES
**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)	Up to 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
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
2006	4.6	1.1	5.0	0.1	10.8

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

Return and payments must be received by the last day of the month following the reporting period.

Special Provisions/Credits

2.5% discount for timely payment of beer, wine and mixed beverage taxes.

LOCAL 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. Tax is due to expire July 31, 2014.

Comparisons with Other States

(As of 05/07)

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

*Chicago (in addition to
Cook County tax):*

Beer	16 cents per gallon
Liquor (less than 14%)	24.6 cents per gallon
Liquor (14% to 20%)	61.5 cents per gallon
Liquor (more than 20%)	\$1.845 per gallon

LOCAL TAXES
ALCOHOLIC BEVERAGE
TAXES – COUNTY

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.

LOCAL TAXES
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) for construction of a sports facility.

Note: As of February 1, 2007, the rate is up to 1.5 cent(s) per cigarette (30 cents per pack of 20 cigarettes) for the purpose of funding a regional arts and cultural district (in counties with a population of 1.2 million or more).

Cuyahoga County, the only county levying a county cigarette tax, is currently levying both these taxes at the maximum rate.

Major Exemptions

None.

Revenue (In Millions)

Fiscal Year	Revenue	Adm. Fund	Total
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
2006	3.7	0.1	3.8

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.

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.
- 2006 • Counties with a population of 1.2 million or more authorized to levy a tax to fund a regional arts and cultural district.
 - Cuyahoga County voters enact such a tax to take effect February 1, 2007.

Comparisons with Other States (As of 05/07)**Illinois**

<i>Cook County:</i>	\$2.00 per pack
Chicago, additional	68 cents per pack
Evanston, additional	50 cents per pack

New York

<i>New York City:</i>	\$1.50 per pack
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California, Florida, Indiana, Kentucky, Massachusetts, Michigan, New Jersey, Pennsylvania, Texas, and West Virginia do not have a local tax on cigarettes.

INDIVIDUAL INCOME TAX – SCHOOL DISTRICT

Taxpayer

For the Athens, Circleville, Cloverleaf, Eastwood, Jonathan Alder, Lancaster, Sebring, Southwest, and Troy School Districts:

Every individual residing in any of these school districts and having wages and/or self-employment income is subject to the tax. The tax is levied only on "earned income."

For all Other School Districts:

Every individual residing in, and every estate of a decedent who at the time of death was residing in, a school district, other than those above, that levies the tax. The tax is levied on all types of income.

Tax Base

Except for residents of the nine "earned income" school districts listed above, the base is Ohio adjusted gross income less \$1,450 per exemption for taxable year 2007. (The exemption amount is indexed for inflation.)

The tax base for residents of the "earned income" school districts is wages and self-employment income. Residents of the "earned income" school districts 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 164 districts that have a school district income tax in effect as of January 2007.

Revenue (In Millions)

Fiscal Year	Revenue(1)	Admin. Fund(2)	Total
2002	\$144.6	\$2.3	\$146.9
2003	141.9	2.3	144.2
2004	155.9	2.5	158.5
2005	180.8	2.9	183.7
2006	217.7	3.5	221.2

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.

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 • School districts authorized by law to enact a school district income tax based on Ohio adjusted gross income of district residents and estates.
- 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 permanent.
 - Taxation of state retirement income clarified.
- 1992 • Permitted an income tax levy and property tax reduction on a single ballot issue.

LOCAL TAXES
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” (wages and self-employment income only) or traditional (Ohio adjusted gross income); for 2007, nine school districts have enacted the “earned income” base.

Comparisons with Other States (As of 05/07)

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.

Pennsylvania

School districts (except for the Philadelphia SD) are authorized to levy a tax up to 1.5% on earned income and net profits of residents. Certain school districts are exempt from the cap.

Pittsburgh:

The Pittsburgh School District levies an income tax at 2.0% on earned income and net profits.

Philadelphia:

The Philadelphia School District levies a tax on the non-business income of Philadelphia residents. The tax is applied to 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



LOCAL TAXES
INDIVIDUAL INCOME TAX – SCHOOL DISTRICT

such person is the substantial owner. In 2006 the tax rate was 4.301%.

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

LOCAL TAXES
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. These transactions are also subject to sales tax.

Rates

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

The highest combined tax rates imposed in counties with a special lodging tax (as of December 31, 2005) are: Cuyahoga (7.5%), Fairfield (7.5%), Franklin (10.0%), Guernsey (9.0%), Hamilton (10.5%), Lucas (8.0%, except in Monclova Township where a total 11.0% tax is imposed), Muskingum (8.0%), and Summit (7.5%).

In 2005, the most recent year for which data is available, 60 counties, 125 townships, and 166 municipalities (129 cities and 37 villages) levied a lodging tax. Excluding those counties listed above, rates ranged from 1.0% to 6.0%, but over 80% 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 the 1980 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). Most of the special county lodging taxes have been restricted to a narrow class of counties, such as counties meeting certain population levels and counties that already had an existing lodging tax imposed for specific purposes. (See **History of Major Changes** in this chapter for details.)

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 (but only if the county in which the municipality or township is located has not already imposed a tax under the 1980 law). Therefore, with the sole exception described below, municipal and township lodging taxes have a maximum 6.0% rate.

In 2002, the most populous municipality located in an eligible county (i.e., a county imposing a maximum 3.5% lodging tax under a 2002 law to fund a convention center) could levy an additional maximum 1.0% lodging tax. This tax is to be used for funding the convention center. The total tax rate imposed by the one municipality levying this tax is 4.0%.

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%.

Under a 2005 law, CFAs located in certain Appalachian counties with populations less than 80,000 and which do not already levy a lodging tax were authorized, for a limited time, to enact a tax to pay the cost of constructing, equipping or operating a convention, entertainment or sports facility of up to 3.0%.

Major Exemptions

None.

Revenue (In Millions)**Calendar**

Year	Total*
2001	\$92.7
2002	95.5
2003	103.7
2004	106.1
2005	114.4

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

Disposition of Revenue

Under the lodging tax authorized in 1967, all tax 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 authorities.

History of Major Changes

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

LOCAL TAXES
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.
- 1997 • A board of county commissioners of a county imposing a tax under the 1985 law is permitted to impose an additional tax of up to 2.0%, with the revenue designated for use by the county convention and visitors bureau in promoting the region in which the county is located (Lucas County enacted such a tax).
- 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).
- 2003 • A board of county commissioners of a county with a population of at least 1.0 million are permitted to do any or all of the following for the purpose of providing 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% (an increase of up to 2.0% from the existing authority to levy up to a 3.0% tax); adopt a resolution before August 1, 2004 to redirect revenue from an existing county lodging tax levy; and adopt a resolution to redirect


 LOCAL TAXES
 LODGING TAX
 

the revenue from an existing port authority educational and cultural facility tax levy, and to extend the levy by up to 40 years.

- A board of county commissioners may increase a current lodging tax up to 2.0% with all proceeds for a port authority military-use facility.
- 2005 • Counties with a lodging tax already in effect and with at population of at least 1.2 million are authorized to levy an additional lodging tax up to 3.0% where all or part of the revenue collected is allocated to make payments on bonds and notes issued by or for the benefit of a convention and visitors' bureau to construct and equip a convention center; the tax must be adopted on or before July 1, 2008.
- Convention facilities authorities in "eligible" Appalachian counties with populations less than 80,000 and that do not already impose a CFT lodging tax, may levy a lodging tax up to 3.0% on or before December 31, 2005.
 - On or before July 1, 2008, a county with a population of 1,200,000 or more may levy a tax on lodging up to 2.0% to construct, improve, expand, equip, finance, or operate a convention center.
- 2006 • A board of county commissioners of a county imposing a tax under the 1985 law may impose an additional tax not to exceed 2.0% for funding an arena or convention center, for promoting the region in which the county is located, or a combination of both (Lucas County enacted such a tax). The board may also redirect revenue from existing lodging taxes to be used for funding an arena or convention center, for promoting the region in which the county is located, or a combination of both.

Comparisons with Other States (As of 05/07)

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. The lodging tax is in lieu of a sales tax. In 2006 the maximum rate was 15.0% (Anaheim).

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 rate in effect for any

locality in 2006 was 21%, which includes a 6.0% state transient tax rate and a 6.0% sales and use tax rate.

Illinois

In general, municipalities and counties can impose a tax of up to 4.7% of gross rental receipts. This is in addition to the state hotel occupancy tax rate of 5.64%. 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 3.5%; the sports facilities tax at 2.0%; and the municipal hotel tax at 1.0%. The lodging tax is in lieu of a sales tax.

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 5.0%. Sixty-three counties levy an innkeeper's tax. The lodging tax is in addition to the sales 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. The lodging tax is in addition to the sales tax.

Massachusetts

The state imposes a tax of 5.7%, while localities have the option of imposing an additional tax of up to 4.0%. Boston may impose a rate of up to 4.5%. A convention center fee of 2.75% is levied by some counties. The lodging tax is in lieu of the state sales tax.

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. The lodging tax is in addition to the sales tax.

New Jersey

Municipalities, with certain exceptions, may enact a municipal occupancy tax at a rate up to 3.0%. Muni-

palties 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. Some counties may levy tourism assessments and tourism sales taxes. The state also imposes a 1.0% to 5.0% state occupancy tax, depending on the local rate. In no event may the sum of the occupancy tax plus the state and local sales and use tax exceed 14%.

New York

Certain counties, cities and villages are authorized to impose hotel occupancy taxes ranging from 0.75% to 5%. New York City's rate is 5.0% plus an additional tax of \$0.50 to \$2.00 based on the daily rental rate plus an additional fee of \$1.50 per unit per day. These taxes are levied in addition to both state and local sales taxes.

Pennsylvania

Counties other than Philadelphia and Allegheny are authorized to impose a hotel room rental tax up to 3.0% to 5.0%, depending on county characteristics. The city of Philadelphia currently has an 8.0% hotel tax. Allegheny County (Pittsburgh) imposes a 7.0% tax. The tax is in addition to the state occupancy tax of 6.0%. The state occupancy tax is in lieu of the state sales tax.

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. The lodging tax is in lieu of the sales tax.

West Virginia

Cities and counties are able to impose the tax up to 6.0% of the cost of hotel rooms. Room rental is also subject to the state sales and use tax; there is no state hotel occupancy tax.



LOCAL TAXES
MANUFACTURED HOME TAX

Taxpayer

All manufactured or mobile home owners not specifically exempt.

Tax Base

If situated 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 situated 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.

LOCAL TAXES
MANUFACTURED HOME TAX

Revenue (In Millions)	
Calendar	Taxes
Year	Levied
2002	\$25.3
2003	20.9
2004	18.0
2005	15.8
2006	13.7

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 and 4503.06 - 0611.

Responsibility for Administration

County auditor, county treasurer, and Tax Commissioner.

History of Major Changes

- 1925 • Tax enacted.
- 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 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 05/07)
California

Base: Assessed and taxed as real property if on permanent foundations. 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. Mobile homes are generally subject only to a license tax.

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

Illinois

Base: Assessed as real property if permanently affixed to property. Mobile homes that are on temporary foundations are subject to a mobile home privilege tax in lieu of property tax.

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 \$0.075 - \$0.15 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.



LOCAL TAXES
MANUFACTURED HOME TAX

Massachusetts

Base: Assessed and taxed as real property if attached to real estate and used as a permanent residence. If located in a licensed manufactured home park, exempt from property tax but subject to a monthly license fee.

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

Michigan

Base: Assessed as real property if without a fixed undercarriage. 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 and habitable as a permanent dwelling, assessed as real property. A manufactured home installed in a mobile home park is subject to an annual municipal service fee in lieu of property taxes.

Rate: Total of local tax levies with limitations imposed.

New York

Base: Assessed as real property if attached to a foundation. Mobile and manufactured homes adaptable to motivation are taxed as real property unless specifically exempted.

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.

Texas

Base: Assessed as real property if the owner of the home and land is the same. 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.



LOCAL TAXES
MANUFACTURED HOME TAX

West Virginia

Base: Assessed as residential real property if affixed to land, the owner of the land is the same, and the owner also occupies the home. All real property is assessed at 60% percent of market value. All mobile homes not situated on land owned by the owner of the mobile home are taxed as personal property.

Rate: Total rate charged is the aggregate rate of all state and local district levies.



LOCAL TAXES
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. Net profits are 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 2005, the most recent year for which data is available, 558 municipalities (234 cities and 324 villages) levied the tax. Rates ranged from a low of 0.30% to 3.00%.

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 utilities tax.
- Interest and dividends.
- Pensions and disability benefits.
- Capital gains and losses (exempted by most cities; state law does not require exemption).

Personal exemptions are not granted.

LOCAL TAXES
MUNICIPAL INCOME TAX**Revenue** (In Millions)
Calendar

Year	Total
2001	\$3,353.9
2002	3,358.5
2003	3,443.7
2004	3,538.3
2005	3,776.5

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.

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 • Municipalities 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.
- 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 05/07)

California

According to the California revenue and taxation code, no city, county, or municipality may levy a tax based on income. In lieu of an income tax, the city of San Francisco imposes a 1.5% tax on an employer's payroll expense. Small businesses and biotechnology businesses (whose tax liability does not exceed \$2,500) are exempt.

LOCAL TAXES
MUNICIPAL INCOME TAX**Indiana***County Adjusted Gross Income Tax (CAGIT):*

Counties are authorized to levy a tax on the adjusted gross income (AGI) of resident individuals at the rate of 0.5%, 0.75%, or 1.0%, and on nonresidents at 0.25%. Eligible counties (depending on population size) may levy the tax at a higher rate. A portion of the tax revenue is designated for specific purposes.

County Option Income Tax (COIT):

Counties are authorized to impose a county option income tax on AGI which may be levied initially at 0.2% for resident county taxpayers and at a rate of 0.05% for all other county taxpayers. The rate may be increased in 0.1% annual increments up to a maximum tax of 1.0%. The rate for nonresident taxpayers is always one-fourth of the resident tax rate.

County Economic Development Income Tax (CEDIT):

Counties are authorized to impose a county economic development tax on the AGI of 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%. An additional 0.25% may be levied to offset the impact of Indiana's elimination of the tangible tax on inventory.

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%.

Kentucky

Cities, counties, and school districts may levy an occupational license tax on the net profits of businesses and/or on the salaries and wages of employees earned in the district. Rates can vary between the two types of occupational license taxes. The rates range from 0.25% to 3.55% of taxable earnings.

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.



LOCAL TAXES
MUNICIPAL INCOME TAX

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% (1.45% for the city of Louisville or Jefferson County, plus 0.75% for public school boards in 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%. The reductions have been suspended since July 1, 2004. In 2007, 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 residents.

New Jersey

Newark imposes a payroll tax at the rate of 1.0% on all employers having a payroll of more than \$2,500 per calendar quarter.

New York

New York City:

A tax is imposed on residents and part-year residents of the city. Using the same filing statuses as under the state income tax, the starting point is state taxable income, with basic tax rates currently 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 2.85%.

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 10.0% of state tax liability after nonrefundable credits. The non-resident earnings tax equals 0.5% of wages and self-employment earnings.

Pennsylvania

Municipalities may impose an earned income tax on wages and net profits. The tax may be imposed on either residents only or both residents and nonresidents. Most municipalities have a 1.0% cap. Home



LOCAL TAXES
MUNICIPAL INCOME TAX

rule municipalities (e.g., Philadelphia, Pittsburgh, and Scranton) are not subject to the cap. If the local school district also imposes an earned income tax, the tax revenue must be shared between the school district and the municipality.

Pittsburgh:

The city imposes an earned income and net profits tax at the rate of 1.0% on:

- (i) salaries, wages, commissions, and other compensation earned by residents, or by non-residents for services rendered or work done in Pittsburgh; and
- (ii) 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 AND 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, local exchange 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 tax rate of each municipality in which the taxpayer has taxable nexus.

LOCAL TAXES
MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT
COMPANIES AND TELEPHONE COMPANIES

Revenue (In Millions)
Calendar

Year	Total
2002	\$12.3(1)
2003	15.4(2)
2004	12.1(3)
2005	39.0(4)
2006	36.7(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.

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's 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, including the administrative fee, to the taxpayer within 90 days after receiving such a notice.

Sections of Ohio Revised Code

Chapter 5745.

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.

LOCAL TAXES
MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT
COMPANIES AND TELEPHONE COMPANIES

- Senate Bill 287, 123rd General Assembly amended the tax to provide that it 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 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).

Note: Subsequent legislation defined the term "Internal Revenue Code 'as amended'" to mean the code as it existed on December 28, 2006.

Comparisons with Other States (As of 05/07)
None of the comparison states has a similar municipal income tax for electric light companies and telephone companies.

LOCAL TAXES
PROPERTY TAX – PUBLIC
UTILITY TANGIBLE

Taxpayer

Public utilities subject to tangible personal property tax are electric, natural gas, pipeline, water works, water transportation, heating, rural electric, railroad companies, and telegraph companies.

Beginning January 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers and are subject to the tangible personal property tax.

Tax Base

The tax is levied on tangible personal property used in business in Ohio by a public utility taxpayer in providing a public utility service.

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 is assessed at 88%.
- Beginning January 1, 2006, electric transmission and distribution personal property is assessed at 85% and electric production personal property is assessed at 24%.
- Rural electric transmission and distribution property is assessed at 50%.

The tax on railroad personal property is phased-out over three years beginning January 1, 2006. The assessment rate for 2006 was 18.75%; for 2007, 12.50%; for 2008, 6.25%; and for 2009 and thereafter, 0.0%.

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 situated 100% in the taxing district where located.

Major Exemptions

- Property of municipally-owned utilities.

LOCAL TAXES
PROPERTY TAX – PUBLIC UTILITY TANGIBLE

- Certified air, water, and noise pollution control equipment.
- 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
2001	\$715.3
2002	746.1
2003	751.8
2004	775.4
2005	755.2

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 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.
- 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%.

LOCAL TAXES
PROPERTY TAX – PUBLIC UTILITY TANGIBLE

- Beginning January 1, 2001, electric production equipment situated 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 phased down from 88% to 25% over a three-year period.
- 2005 • 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%.
- 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 telecommunication companies are classified as general business taxpayers and will be valued according to the annual allowance rates used in their 2006 and prior years' returns and assessed under Ohio Revised Code Chapter 5711.
- Beginning January 1, 2007, the tax on telephone company and inter-exchange telecommunication 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 company and list personal property used to supply electricity to others pursuant to Chapter 5727.

Comparison with Other States (As of 05/07)**California**

- Assessor: State Board of Equalization
Assessment: Fair 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.
Assessment: Railroad real property is assessed at 33 1/3% of true cash value. Personal property is exempt from taxation.
Tax Rate: Aggregate of all local levies.

Indiana

- Assessor: Department of Local Government Finance assesses operating property of railroads and distributable property of other utilities. Local officials assess all remaining property.
Assessment: Unit value based on factors including book value, cost of replacement, and earnings.
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: The Revenue Cabinet.
Assessment: Fair cash value.
Tax Rate: Aggregate of all state and local levies.

Massachusetts

- Assessor: The Division of Revenue assesses certain telephone and telegraph properties, plus petroleum and gas transmission pipelines. Local officials assess all other utility property.
Assessment: Fair cash value.
Tax Rate: Aggregate of all state, county, and local levies. Levies are limited to 2.5% of fair cash value.

LOCAL TAXES
PROPERTY TAX – PUBLIC UTILITY TANGIBLE

Michigan

- Assessor: State Board of Assessors.
Assessment: 50% of true cash value.
Tax Rate: Average rate of taxation upon all taxable state-assessed property.

New Jersey

- Assessor: Localities determine the value of tangible personal property of local exchange telephone companies; railroad operating property is valued by the State Division of Taxation.
Assessment: True value.
Tax Rate: Aggregate of all local levies; state tax rate for railroad operating property other than main stem, tangible personal property, and passenger service facilities is 4.75% of true value.

New York

- Assessor: State Board of Real Property Services. Values utility property in the public right of way; local officials value utility property on privately owned rights of way. Taxable real property of utilities includes tangible utility property operating on, under, or above both privately and publicly owned rights of way.
Assessment: Determined locally based on classification of property.
Tax Rate: Aggregate of all local levies; limitations are imposed.

Pennsylvania

- Assessor: Local assessors.
Assessment: Pennsylvania utilities real property tax is based on market value calculated by adjusting for the common level ratio of assessed to market values. This tax is in lieu of local real estate taxes.
Tax Rate: Rates are set annually based on the amount of real estate taxes the local taxing authority could have imposed, plus an additional 7.6 mills are levied on state taxable value.

Texas

- Assessor: County appraisal districts.
Assessment: Unit values based on one or more of the cost, income, or market approaches.
Tax Rate: Aggregate of all county levies.



LOCAL TAXES
PROPERTY TAX – PUBLIC UTILITY TANGIBLE

West Virginia

Assessor: State Board of Public Works.

Assessment: All property is assessed at 60% of its fair market value.

Tax Rate: Aggregate of all state and local levies; limitations imposed.



LOCAL TAXES
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 2005 average statewide gross tax rate was 85.71 mills. Application of “tax reduction factors” resulted in an average statewide effective tax rate of 55.18 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.

LOCAL TAXES
PROPERTY TAX – REAL

Tax Year	Revenue (In Millions)		
	Taxes Charged Before Relief(1)	Property Tax Relief Percentage Rollback(2)	Homestead Exemption
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	11,242.6	1,284.8	69.3
2005	12,276.8	1,066.0	68.6

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.

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. State-wide, 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 (see below) 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 be recalculated to arrive at 20 mills. Joint vocational schools have the same provision with a floor of 2.0 mills.

LOCAL TAXES
PROPERTY TAX – REAL

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 rollbacks, Homestead Exemption, and tax reduction factors.

Percentage Rollbacks:

State law grants tax relief in the form of a 10% reduction in the real property tax bill. Starting with tax year 2005, the 10% reduction was limited to parcels not used in a business activity. In general, the 10% reduction applies 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. Local governments are reimbursed 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 2006, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse	Reduce Taxable Value By the Lesser of
\$13,400 or less	\$5,500 or 75% of taxable value
\$13,401 - \$19,700	\$3,400 or 60% of taxable value
\$19,701 - \$26,200	\$1,100 or 25% of taxable value
\$26,201 and over	-0-

Note: An expanded Homestead Exemption was enacted in House Bill 119, the state's fiscal year 2007-2008 budget bill, that allows a similar benefit based on net millage, for all senior citizen and disabled property owners, regardless of income. It provides an exemption of \$25,000 off the market value of a qualified homeowner's primary residence, with tax calculated on the remaining value.

Tax Reduction Factors:

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.
- 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.

LOCAL TAXES
PROPERTY TAX – REAL

- 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 Exemption.
- 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 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.

LOCAL TAXES
PROPERTY TAX – REAL

- 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.
- 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.

LOCAL TAXES
PROPERTY TAX – REAL

- 2005 • 10% reduction limited to apply only to real property not used in a business activity:
- “Business activity” does not include the following activities, which will qualify for the 10% 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 commercial production of timber that is receiving the tax benefit under Ohio Revised Code 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 10 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 tax-

LOCAL TAXES
PROPERTY TAX – REAL

es, 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 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.
- 2006 • School district bond consent law altered in several ways:
- The definition of "tax valuation" for purposes of the net indebtedness calculation under Ohio Revised Code 133.06 was changed to exclude the valuation of tangible personal property and three items of public utility personal property.
 - The securities issued in an amount equal to the property tax replacement payments received under Ohio Revised Code 5751.21 or 5751.22 for the loss in revenue from the phase-out of the tangible personal property tax are excluded from net indebtedness.
 - The deadline for filing the requests for consent with the Superintendent of Public Instruction and the Tax Commissioner are changed from 30 days to 105 days before the election.
 - The Superintendent of Public Instruction must certify to the school district both the superintendent's and the commissioner's consents within 30 days after receipt of the request for consents.
 - The superintendent's and the commissioner's consents are good for two consecutive elections.
 - The type of costs that may be included in a bond issue under Chapter 3318 for which a school district may issue such debt without the consents of the Tax Commissioner and the Superintendent of Public Instruction and without special needs approval are expanded to include the costs required for locally funded initiatives and the cost for site acquisition.
- The county auditor is required to take into account the assessment percentages in Ohio Revised Code 5711.22 during the phase-out of the tangible personal property tax, when considering the tangible personal property

LOCAL TAXES
PROPERTY TAX – REAL

component of a subdivision's tax valuation for purposes of certifying tax rates for bond issues and school district emergency levies, as well as when certifying either tax rates or tax revenue for all other tax levies.

- The Tax Commissioner is required to certify to the Ohio Department of Education (DOE) compensation values for school districts that represent the compensation received by a school district, either from a political subdivision or a private party, as a result of certain tax increment financing (TIF) exemptions, which serve to compensate the school district for the loss in revenue because of the TIF exemptions. The DOE will use those certified values to adjust the amount of state aid to be paid to the school district by accounting for the amount of compensation received locally on the TIF property.
- New growth levy for school districts established:
 - A city, local, or exempted village school district is allowed to place a current operating expense levy on the ballot for a continuing period of time or for a specific number of years of five or more and at a rate that will cause the total taxes payable from the levy to equal the adjusted charge-off increase for the tax year, providing that the sums levied in any tax year cannot exceed 104% of the sums levied from the tax against carry over property in the preceding year. "Adjusted charge-off increase" means "2.3% of the cumulative carry over property value increase."
- The county auditor is required, when estimating tax rates on levies for a fixed sum of money or to pay debt charges, to set that rate to raise the required sum less the estimated amount of any payments received by the subdivision for those levies from the State of Ohio to compensate the subdivision for the loss in revenue because of the phase-out of the tangible personal property tax.
- Property owned by the State of Ohio that is used as public service facilities under Ohio Revised Code 1501.07, as concessions under 1531.06(F), as refuge harbors or marine recreational facilities under 1547.72, or as forest land under 1503.03 is deemed to be public property used exclusively for a public purpose, even if such property is leased to or otherwise operated by a private entity.
- Tax increment financing (TIF) law altered in two major ways:
 - A municipality, township, or county granting a TIF incentive district exemption cannot designate police or fire equipment as public infrastructure improve-

LOCAL TAXES
PROPERTY TAX – REAL

ments, and no service payments in lieu of taxes received by the subdivision can be used for police or fire equipment.

- For a municipal, township, or county TIF incentive district exemption, the number of tax levies that the granting subdivision must reimburse from the service payments in lieu of taxes to the appropriate taxing authorities increased from six to 12, by adding levies for the following purposes: zoological park services and facilities, township park districts, joint recreational districts, county park districts, the various health and welfare purposes under Ohio Revised Code 5705.191, and general health districts.

Comparisons with Other States (as of 05/07)

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 13 selected states.

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)	\$513,800	\$1.10	\$5,652
Massachusetts (Boston)	420,400	1.23	5,171
New Jersey (Newark)	242,600	2.04	4,949
Indiana (Indianapolis)	117,900	3.21	3,785
Illinois (Chicago)	245,500	1.49	3,658
Texas			

Notes: (1) Source: U.S. Census Bureau, American Factfinder, 2005 American Community Survey, Housing Characteristics. (2) Source: Table 4, Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2005). Effective tax rates as reported by state officials. (3) Source: calculations by the Ohio Department of Taxation. (4) Median home value for metropolitan area. (5) Median home value for county.

LOCAL TAXES
PROPERTY TAX – REAL

State/City	Median Home Taxable Value in Largest City(1)	Effective Tax Rate, per \$100(2)	Property Tax On Median Home(3)
(Houston)	112,800	3.01	3,395
New York (N.Y. City)	449,000	0.69	3,098
Florida (Jacksonville)	144,600	1.86	2,690
Pennsylvania (Phila.)	100,200	2.64	2,645
Ohio (Columbus)	132,100	1.46	1,929
Michigan (Detroit)	83,300	1.94	1,713
Kentucky (Louisville)(4)	125,000	1.26	1,575
West Va. (Charleston)(5)	90,700	0.87	789

Notes: (1) Source: U.S. Census Bureau, American Factfinder, 2005 American Community Survey, Housing Characteristics. (2) Source: Table 4, Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2005). Effective tax rates as reported by state officials. (3) Source: calculations by the Ohio Department of Taxation. (4) Median home value for metropolitan area. (5) Median home value for county.

LOCAL TAXES
**PROPERTY TAX – TANGIBLE
PERSONAL PROPERTY**

Taxpayer

Taxpayers who own and use tangible personal property in business in Ohio.

Beginning January 1, 2007, telephone companies and inter-exchange telephone companies are classified as general business taxpayers. The tangible personal property of these companies will be valued according to the annual allowance rates used in their 2006 and prior years' returns and assessed under Ohio Revised Code Chapter 5711.

Tax Base

The tax is applied to tangible personal property used in business in Ohio (machinery, equipment, inventories, and telephone company property). Business land and buildings are taxed under the real property tax.

The tangible personal property tax on general business will be phased-out over a three year period beginning on January 1, 2006.

Taxable value is determined by applying an assessment percentage to the true value of tangible property. The listing percentage on all tangible personal property including inventory for 2006 was 18.75% and for 2007, 12.50%. This declines in 2008 to 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%.

The tax on telephone company and inter-exchange telecommunications company personal property is phased-out over four years beginning on January 1, 2007. The assessment rate for 2007 is 20%; for 2008 15%; for 2009 10%; for 2010 5.0%; and for 2011 and thereafter, 0.0%.

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 2005 average effective tax rate was 79.51 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.

LOCAL TAXES
PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

- 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).
- 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, held in Ohio for storage only, and subsequently shipped outside Ohio.
- 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).

LOCAL TAXES
PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

- Property used in the production of grape juice or wine and not held in labeled containers in which it will be sold.
- Qualifying manufacturing machinery and equipment first placed in service in Ohio on or after January 1, 2005.

Revenue (In Millions)

Calendar Year	Net Taxes Levied	\$10,000 Exemption Reimbursements
2001	\$1,802.5	\$94.5
2002	1,768.3	95.6
2003	1,637.4	85.9
2004	1,651.7	74.8
2005	1,696.0	61.2

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. State-wide, school districts receive about 70% of total 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, or June 15 if an extension is granted, 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.

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.
- 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 2.0% 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

LOCAL TAXES
PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

- 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 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 is 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%.

LOCAL TAXES
PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

- 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.
- 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 company and list personal property used to supply electricity to others pursuant to Chapter 5727.

Comparisons with Other States (As of 05/07)

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 which are limited to 1.0% plus any additional levies required to fund local government debt or real property acquisitions.

Florida

Tangible personal property assessed at market 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 true value unless expressly 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 incorporated areas is limited to \$0.6667 while the total rate in unincorporated areas is limited to \$0.4167 on each \$100 of valuation.



LOCAL TAXES
PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

Kentucky

Tangible personal property assessed at fair cash value unless expressly exempt. Property is taxed at the aggregate of all lawful state and local levies.

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.

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 the percentage of true value determined to be the average ratio of assessed to true value 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 used in petroleum refinement is taxable as real property.

New York

Tangible personal property is exempt from taxation.

Pennsylvania

Tangible personal property is exempt from taxation.

Texas

Tangible personal property is assessed at 100% of its appraised value. All property is taxed at the aggregate of all lawful state and local levies. Property, other than

LOCAL TAXES

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

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.

LOCAL TAXES
**SALES AND USE TAX – COUNTY AND
 TRANSIT AUTHORITY**

Taxpayer

(See **Sales and Use Tax** section in the **State Taxes** portion.)

Tax Base

For the county sales tax, additional county sales tax (for special purposes), and transit authority sales tax:

- Sales and rental of personal property, and selected services.

As of January 1, 2007, 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	Transit County	Adm. Authority	Fund	Total*
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
2006	1,284.4	288.7	16.0	1,589.1

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.

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;

LOCAL TAXES
SALES AND USE TAX – COUNTY AND
TRANSIT AUTHORITY

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.

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.

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.

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

LOCAL TAXES
SALES AND USE TAX – COUNTY AND
TRANSIT AUTHORITY

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.

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

(See **Sales and Use Tax** section in the **State Taxes** portion.)



NOTES: