Sales and Use Tax

Taxpayer

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

Tax Base

The tax applies to the sales and rental of tangible personal property and selected services.

Rate

The state sales tax rate has been 5.5 percent since July 1, 2005. County governments and transit authorities may impose "piggyback" taxes on top of this base rate; for details see the separate **Sales and Use Tax – County and Transit Authority** chapter.

Major Exemptions

Major exemptions include:

- 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 purchases of new motor vehicles, and on purchases of watercraft and outboard motors purchased from registered dealers.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	Other[2]	Total
2007	$7,424.5	$301.3	$4.8	$7,730.6
2008	7,614.1	246.0	5.6	7,865.7
2009	7,116.0	207.1	5.3	7,328.4
2010	7,074.4	170.3	5.8	7,253.5
2011	7,578.2	183.8	5.7	7,767.7

Disposition of Revenue

All revenues from the state sales and use tax are initially deposited in the General Revenue Fund. However, each month a designated amount of all general fund tax revenue[3] is deposited into the Public Library Fund. One half of this amount is credited against the state sales tax portion of General Revenue Fund revenues.

Payment Dates

Monthly returns:

Due by the 23rd day of the month following the reporting period.

Semi-annual returns:

Due by the 23rd day of the month following the close of the semi-annual reporting period; 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.

1 Before January, 2008, 4.2 percent of sales tax revenue was deposited in the Local Government Fund and 0.6 percent was deposited in the Local Government Revenue Assistance Fund each month. Thereafter, this column refers to deposits into the Public Library Fund.

2 Includes distributions to the Attorney General Claims Fund.

3 Permanent law calls for the Public Library Fund to receive a percentage share of all tax revenue into the state's General Revenue Fund. The percentage was 2.22 percent from January 2008 through July 2009, 1.97 percent from August 2009 through June 2011, and 2.22 percent in July 2011. The fund will receive designated dollar amounts from August 2011 through June 2013.

Vendor discounts:

Vendors and out-of-state sellers are allowed a 0.75 percent discount for timely payment.

Other provisions:

All returns must be filed electronically. Payment is required to be made by electronic funds transfer by taxpayers when liabilities equal or exceed $75,000 a year. Such taxpayers must also make accelerated payments on or before the 23rd of the month.

Special Provisions/Credits

Local levies:

Counties and transit authorities may levy additional sales and use tax. For more information, see the **Sales and Use Tax – County and Transit Authority** chapter.

Sales of motor vehicles to residents of certain other states:

Ohio motor vehicle dealers collect tax at the lowest combined Ohio state and local rate (currently 6 percent) from residents of states that impose a similar sales or use tax on Ohio residents (most states do not). As of Jan. 1, 2009, residents of eight states were subject to the nonresident motor vehicle sales tax: Arizona, California, Florida, Indiana, Massachusetts, Michigan, and South Carolina.

Streamlined Sales Tax Project:

Ohio is an associate member of the Streamlined Sales Tax Project, a multi-state effort to make sales tax laws, rules, and systems more uniform among states. The goal is to make it easier for those who make sales in multiple states to voluntarily collect and remit sales taxes to each of those states (federal law currently exempts sellers from this collection responsibility unless they have a physical presence in a state).

As part of Ohio's continued participation in the Streamlined Sales and Use Tax Agreement, changes to the sourcing of sales of tangible personal property and taxable services were effective Jan. 1, 2010. These changes allow Ohio to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers. Other sales are sourced to the location where the consumer receives the property or service that was sold. For the majority of vendors, these changes have little or no impact on their method of doing business.

Sections of Ohio Revised Code

Chapters 5739, 5740, and 5741.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1934	General Assembly enacts a 3 percent sales tax effective Jan. 1, 1935.
1935	Legislature enacts a companion use tax effective Jan. 1, 1936.
1936	Ohio voters approve a constitutional amendment exempting food for human consumption off the premises where sold.
1962	The use of sales tax stamps is discontinued.
1967	Legislature increases rate to 4 percent and broadens the tax base to include cigarettes and beer.
1971	Cigarettes again become exempt.
1980	Senate Bill 448, signed Dec. 19, temporarily increases the state sales tax rate to 5 percent from Jan. 1 through June 30, 1981.
1981	House Bill 694, signed on Nov. 15, immediately increases the state sales tax rate from 4 percent to 5.1 percent. Some vendors indicate the new rate is incompatible with their registers. House Bill 552, signed on Nov. 24, immediately lowers the state rate to 5 percent. Other provisions of H.B. 694 stand, including a broadening of the base to again include cigarettes, as well as repairs and other selected services. Other legislation establishes a credit for trade-ins on new motor vehicles.
1983	Base is broadened to include business data processing services.
1987	Purchases made with food stamps become exempt from the tax; long distance telecommunications service becomes taxable.

1990 The legislature exempts tangible personal property primarily used in manufacturing operations from the tax, replacing a direct use exemption for manufacturers. Also, a credit is established for trade-ins on new or used watercraft.

1991 The tax base is broadened to include lawn care, landscaping, private investigation, and security services.

1993 Legislature broadens tax base to include building cleaning and maintenance, exterminating, employment agency, and personnel supply services as well as memberships in physical fitness facilities and recreation and sports clubs. Exemptions are established for qualified property used in research and development and for nonprofit scientific organizations. The vendor discount is lowered from 1.5 percent to 0.75 percent of tax collections.

1994 General Assembly exempts purchases made by organizations defined under Internal Revenue Code 501(c)(3).

1997 Legislature exempts the sale of personal computers and qualified equipment to licensed and certified teachers.

1999 The sale of used manufactured and mobile homes becomes exempt effective Jan. 1, 2000. Also, for the purposes of the sales and use tax, the sales of new manufactured or mobile homes are no longer considered motor vehicle sales.

2000 Legislature reduces transient vendor's license fee from $100 to $25. Also, the definition of an exempt casual sale is changed to include items that had been subject to the taxing jurisdiction of another state.

2001 The application of the sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses is changed so that the tax is paid upon consummation of the lease.

2002 Senate Bill 200 permits refunds to be issued directly to consumers in cases where the consumer illegally or erroneously paid tax to the vendor.

2003 House Bill 95 temporarily increases the state sales tax rate from 5 percent to 6 percent from July 1, 2003 to June 30, 2005. The vendor discount is temporarily increased from 0.75 percent to 0.9 percent during the same period. Also:

- The tax base is expanded to include laundry and dry cleaning, satellite broadcasting service, personal care services, the intrastate transportation of persons by motor vehicle or aircraft, towing service, snow removal, and the storage of tangible personal property, effective Aug. 1, 2003.
- The threshold is raised for mandatory payment by electronic funds transfer from $60,000 annual tax liability to $75,000, and such taxpayers begin paying on an accelerated schedule.
- Some definitions of food, beverages, and medical supplies are changed to conform to the provisions of the multistate Streamlined Sales Tax Project.

2005 House Bill 1 resets the sales tax rate to 5.5 percent effective July 1, 2005, and extends the temporary vendor discount rate of 0.9 percent through June 30, 2007.

2006 General Assembly exempts property withdrawn from inventory and donated to a charitable organization from the use tax.

2008 General Assembly enacts House Bill 429, which allows Ohio to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers effective Jan. 1, 2010.

2009 Electronic filing of sales tax returns becomes mandatory. General Assembly, in House Bill 1, applies sales tax to monthly Medicaid premiums received by health insuring corporations in lieu of a former 5.5 percent franchise fee.

Comparisons with Other States

(As of January, 2011)

This table shows state sales tax rates, the maximum combination of local sales tax rates currently in effect for each state, and the highest combined state and local sales tax rate currently in effect for each state.

State	State Rate	Max. Local Rate	Max. Total Rate
California	8.25%	2.5%	10.75%
Florida	6	1.5	7.5
Illinois	6.25	3.5	9.75
Indiana	7	----	7
Kentucky	6	----	6
Massachusetts	6.25	----	6.25
Michigan	6	----	6
New Jersey	7	----	7
New York	4	4.50	8.50
Ohio	**5.5**	**2.25**	**7.75**
Pennsylvania	6	2	8
Texas	6.25	2	8.25
West Virginia	6	----	6