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Ohio



Ohio Department of Taxation

Ted Strickland
Governor

Richard A. Levin
Tax Commissioner



2008 Business Tax Guide



Why Ohio

Ohio's revamped state taxes are lowest in the Midwest.



Making you more competitive around the world.

In today's global economy, your competition is everywhere. And your business needs every advantage to survive and prosper. With that in mind, Ohio lawmakers dramatically restructured state and local taxes, establishing the lowest rates in the Midwest, eliminating the major taxes on new capital investments and creating an extremely

profit-friendly business climate for companies that locate here. This chart compares the effective tax rates on new capital investment in Midwest states. Ohio's rate is significantly lower, and it's just one aspect of Ohio's new tax structure. Get the complete lowdown on Ohio's low taxes at OhioMeansBusiness.com.

*The effective state and local tax rates (taxes divided by before-tax income) on new capital investments are calculated for four selected manufacturing industries (food processing, pharmaceuticals, electronic components, and motor vehicles) and three service industries (information services, computer services and research and development). The representative firms are multi-state companies selling primarily in regional national and international markets. The included state and local taxes are those imposed directly on a company's new capital investments (machinery, plant and equipment): corporate income and net worth taxes, property taxes, the sales tax imposed on the purchases of capital equipment and structures and the Commercial Activity Tax. The tax parameters for each state are based on the tax features scheduled to be in effect by 2010, the year that Ohio's tax changes are fully effective.



Department of
Development

For all the details, visit us at
www.OhioMeansBusiness.com
Or call 1-877-466-4551

Introduction

This guide provides answers to many of the tax questions frequently asked by individuals who operate a business or who want to start a business in Ohio. It is particularly designed to assist small, start-up businesses.

Ohio's business taxes are now undergoing a dramatic transformation intended to make the Buckeye State a friendlier place to do business. To that end, the corporation franchise tax and the tangible personal property tax are being phased out. In their place, a new commercial activity tax (CAT) is being phased in with a broad base and a low rate. Other changes include a 21 percent cut in income tax rates gradually being phased in over five years.

In addition to this restructuring of the tax system, Ohio also offers a number of incentives to attract new businesses and encourage business expansion. These incentives are administered by the Ohio Department of Development, in coordination with other state and local agencies. More can be learned by visiting the business.ohio.gov Web site.

This publication is offered as an informational resource to all businesses looking for help in complying with Ohio's state and local tax laws. Each section explains the tax's general provisions, who pays the tax, the tax base and rates, any credits that apply, filing proce-

dures, the primary forms used, and important steps to take if a business is shut down. The information in this guide includes all changes in the law through July 1, 2007. Each section also includes a contact list for further information.

Because no Web site or publication can address all the circumstances that may arise for business taxpayers, this publication should be used only as a reference guide and not as a substitute for the law itself. We have included

at the end of each section the address and telephone number of those offices that can provide more specific answers. This publication and a wealth of additional forms and information is available online at tax.ohio.gov.

We hope the *Ohio Business Tax Guide* is an asset to your business. The Ohio Depart-

ment of Taxation stands ready to assist all business owners in complying with their tax responsibilities promptly and fairly. To comment or to request additional copies of this publication, contact:

Ohio Department of Taxation

Attn: Communications Office
30 E. Broad St., 22nd Floor
Columbus OH 43216-0530
(614) 644-6896



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Understanding Ohio Tax Reform

The 2008 tax year marks the midpoint of a transformation of Ohio's tax code intended to make the Buckeye State a friendlier place to do business.

The reforms, enacted by the Ohio General Assembly in 2005, have been embraced by Governor Ted Strickland. They include:

- the elimination of the general business tax on tangible personal property.
- the elimination of the corporation franchise tax.
- a new commercial activity tax with a low rate and a broad base.
- a 21 percent cut in income tax rates.

The Department of Taxation is phasing these changes in over five years. When complete, they will represent \$3.9 billion in annual savings for Ohio taxpayers. Overall, the reforms now underway are the single largest set of changes to Ohio's business tax code since the 1930s.

The plan starts with the elimination of Ohio's tax on the tangible personal property of business, which dates back to 1846. This tax, on machinery, equipment, furniture, fixtures and inventory, has long been criticized by business leaders as a disincentive to investment. But its days are numbered; for the vast majority of Ohio businesses, 2008 will mark the last year they face a tax on personal property.

Ohio is phasing this tax out by reducing the assessed value of personal property. During the 2007 tax year, the tangible personal property of most businesses was assessed at 12.5 percent of true value. That rate drops to 6.25 percent of true value for the 2008 tax year. In 2009, the rate drops to zero, eliminating the tax for most businesses, and making Ohio just one of ten states without a general tax on the tangible personal property of business.

Ohio is also phasing out the corporation franchise tax, which dates back to 1902 and has also come under criticism. This tax, on net profits or net worth, has had high apparent rates that discouraged businesses from considering locating in Ohio but a low yield and an uneven effect on the business community, thanks to the large number of exemptions and other "carve outs" that had accumulated over the years. This created a climate that tended to

favor big companies with significant legal and accounting expertise.

This tax is also being phased out for businesses other than financial institutions, their affiliates, and affiliates of insurance companies. As of the 2008 tax year, 60 percent of the corporate franchise tax has been eliminated for most businesses. In 2009, 80 percent of the tax will expire, and it will be fully phased out for the 2010 tax year.

As a partial replacement for these two taxes, the department is gradually phasing in the commercial activity tax (CAT). When fully implemented for the 2010 fiscal year, the CAT will represent a 0.26 percent tax on gross receipts in excess of \$1 million for nearly all businesses conducting operations in Ohio, whether located in or out of the state.

Overall, the business tax changes now being implemented by the department will mean a \$1.6 billion annual savings for businesses, not including the impact of lower individual income tax rates.

Income tax rates are falling, too. The Ohio Department of Taxation is currently phasing in a 21 percent, across the board cut in income tax rates that is expected to mean an estimated \$2.3 billion in annual income tax relief when fully phased in for the 2009 tax year. This savings includes about \$300 million per year for owners of businesses organized as "pass-through" entities such as partnerships, LLCs, and S-corporations who pay the personal income tax on the net income of the business.

Overall, Ohio's tax reform effort represents a significant break with the past. Tables summarizing these changes follow in the next two pages. For more details, turn to this guide's chapters outlining each of Ohio's taxes for business owners. On the whole, the hope is that these reforms will make compliance easier for business owners who are working hard and playing by the rules while better reflecting the full diversity of Ohio's economy.

Ohio tax reform: An overview

Tax year		Commercial Activity Tax	Tangible Personal Property Tax ¹			Corporation Franchise Tax ²	Individual Income Tax
			Inventory	Machinery & Equipment	Furniture & Fixtures		
2005	Q1	No tax	23%	25%	25%	100% x tax liability	4.2% cut from 2004 rates
	Q2						
	Q3	0.06%					
	Q4						
2006	Q1	0.0598%	18.75%	18.75% ³	18.75%	80% x tax liability	8.4% cut from 2004 rates
	Q2	0.104%					
	Q3						
	Q4						
2007	Q1	0.156%	12.5%	12.5% ³	12.5%	60% x tax liability	12.6% cut from 2004 rates
	Q2						
	Q3						
	Q4						
2008	Q1	0.208%	6.25%	6.25% ³	6.25%	40% x tax liability	16.8% cut from 2004 rates
	Q2						
	Q3						
	Q4						
2009	Q1	0.26%	No tax	No tax	No tax	20% x tax liability	21% cut from 2004 rates
	Q2						
	Q3						
	Q4						
2010	Q1	0.26%	No tax	No tax	No tax	No tax	21% cut from 2004 rates
	Q2						
	Q3						
	Q4						

1. Different assessment rates apply to the personal property of public utilities, telephone companies and inter-exchange telecommunications companies.

2. Financial institutions will continue to pay the full net worth tax; financial institution affiliates and insurance company affiliates will continue to pay on either net worth or net profits.

3. Qualifying manufacturing machinery and equipment placed in service in Ohio on or after Jan. 1, 2005 is exempt.

Ohio tax reform: By the numbers

The table below outlines the total tax relief for businesses and individuals during fiscal years 2006-2010. All figures are expressed in millions:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Income tax rate cuts	\$350.5	\$761.0	\$1,212.2	\$1,712.1	\$2,272.6
Corp. franch. tax elimination	\$228.6	\$587.8	\$971.3	\$1,326.4	\$1,642.2
Tangible pers. prop. tax changes	\$88.3	\$571.3	\$931.6	\$1,275.0	\$1,624.1
New comm. act. tax	(\$273.4)	(\$580.0)	(\$975.5)	(\$1,340.1)	(\$1,676.0)
All other tax changes	\$22.2	(\$65.3)	(\$39.4)	(\$16.8)	\$7.6
Total tax cut amounts	\$416.2	\$1,274.8	\$2,100.2	\$2,956.6	\$3,870.5

For telephone companies, the phase-out of the tangible personal property tax will extend beyond the 2010 fiscal year.



I. Opening and Closing a Business in Ohio: Registration, Licensing Procedures, and Fees



Ohio Entities

In General

The legal structure of an Ohio business may be one of seven principal kinds:

1. sole proprietorship: a business in which one person owns all of the business' assets;
2. general partnership: a business owned by two or more people;
3. corporation: a business organized for profit or nonprofit and formed under the laws of the state;
4. limited liability company: a business with limitations on the transferability of ownership interest, and managed by members or managers;
5. limited partnership: a business owned by one or more general partners, who manage the business and are personally liable for partnership debts, and one or more limited partners who contribute capital and profits but do not participate in managing the business and incur no liability;
6. limited liability partnership: a business with one or more partners whose liability to third party creditors is limited to the amount the partner has invested in the business; or
7. business trust: a business in which its assets are placed in the hands of trustees who manage it for the use and benefit of beneficiaries.

Individuals wishing to form a corporation, a limited liability company, a limited partnership, a limited liability partnership, or a business trust must register with the Ohio Secretary of State. Sole proprietorships and general partnerships are not required to register unless a trade name or fictitious name (a name other than your own) is used as the business name.

To register a business, the appropriate form(s) must be completed and submitted, along with the appropriate filing fee(s), to the office of the Ohio Secretary of State. A *Filing Reference Guide* is available through the Ohio Secretary of State Web site (www.sos.state.oh.us) that contains the complete list of forms, filing fees and appropriate mailing addresses.

Businesses operating under a trade name or a fictitious name must register that name with the Ohio Secretary of State as well.

Any business conducting retail sales is required to obtain the appropriate vendor's license from the local county auditor and/or the Ohio Department of Taxation (see **Filing Procedures** in the **Sales and Use Taxes** section of this publication). If the business is involved in the sale, distribution, or manufacture of alcoholic beverages, the appropriate liquor permits are also required (see **Alcoholic Beverage Taxes**).

General Filing Procedures

Before filing any of the following types of forms, it is a good idea to check the business name for availability. This can be accomplished by accessing the Ohio Secretary of State's Web



site, www.sos.state.oh.us, and clicking on the link to "Business Queries." An e-mail can also be sent to the Secretary of State's customer service staff at busserv@sos.state.oh.us with the name to be checked. The customer service staff can also be reached at (877) SOS-FILE to check a name for availability.

Even though a name may appear to be available, the Ohio Secretary of State cannot guarantee that name's availability until the form is actually processed. The appropriate forms may be obtained from the Ohio Secretary of State's Web site or by calling (877) SOS-FILE. Forms may also be obtained in person by visiting

the Secretary of State's Client Service Center, located at 180 E. Broad St., Ground Floor (Suite 103), Columbus, OH 43215.

All filings can be submitted at the Secretary of State's Client Service Center or mailed to the Secretary of State at the address listed on each form. All of the filings, except requests for certificates of good standing, may be processed on an expedited basis for an additional \$100 fee.

Expedited Filings

Expedited service provides for a filing to be processed within 24 hours of the filing's submission. Expedited filings can be submitted at the Client Service Center or mailed to the address listed on the filing form. If the filing is being sent by an overnight carrier that cannot deliver to a post office box, the filing may be sent to the Ohio Secretary of State, 180 E. Broad Street, 16th Floor, Columbus, OH 43215, Attention: Business Services - Expedited Filings.

Specific Filing Procedures

The organization of a particular business will dictate the exact registration procedures to be followed. These steps are outlined below.

Corporations

Persons wishing to incorporate a business must file articles of incorporation with the Ohio Secretary of State. The corporation can be formed as a for-profit corporation or as a not-for-profit corporation. Persons who are licensed or otherwise authorized for a certain profession, such as medical doctors, attorneys, engineers, chiropractors, and other such professions, may incorporate as a professional association. At the time the articles are filed, a statutory agent must be appointed and must sign the acceptance of appointment. The statutory agent is either an individual designated to receive legal documents and notices for the business, an Ohio corporation, or a foreign corporation with a purpose clause that allows it to act as an agent. The filing fee for a nonprofit corporation is \$125. The filing fee for either a for-profit or professional corporation that has up to 1,500 shares of stock is \$125. This is the minimum fee. For corporations au-

thorizing more than 1,500 shares, the following additional fees apply. Filing fees are calculated on a graduated scale. Nonprofit entities never calculate filing fees based on shares.

Number of shares		Price per share
1	to 1,000	10 cents
1,001	to 10,000	5 cents
10,001	to 50,000	2 cents
50,001	to 100,000	1 cent
100,001	to 500,000	0.5 cent
More than	500,000	0.25 cent

The maximum fee is \$100,000. For the convenience of the person filing, a Share Fee Calculator (www.sos.state.oh.us/sos/businessservices/calculator.xls) is available for use on the Ohio Secretary of State's Web site. Mail the articles to the address listed on the appropriate form. Expedited service is available (see **Expedited Filings**, above).

Limited Liability Companies

Persons wishing to form a limited liability company must file articles of organization with the Ohio Secretary of State. At the time the articles are filed, a statutory agent must be appointed and must sign the acceptance of appointment. The statutory agent is either an individual designated to receive legal documents and notices for the business, an Ohio corporation, or a foreign corporation with a purpose clause that allows it to act as an agent. A filing fee of \$125 must accompany the articles. Mail the articles to the Ohio Secretary of State, at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Limited Partnerships

Persons wishing to form a limited partnership must file a certificate of limited partnership with the Ohio Secretary of State. A filing fee of \$125 must accompany the form. Mail the application to the Ohio Secretary of State, at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Limited Liability Partnerships

Persons wishing to form a limited liability partnership must file an application with the Ohio Secretary of State. A filing fee of \$125 must accompany the form. Mail the application to the Ohio Secretary of State, at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Business Trusts

Persons wishing to form a business trust must file a report of operation of a business trust with the Ohio Secretary of State. A filing fee of \$125 must accompany the form. Mail the form to the Ohio Secretary of State, at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Fictitious Names and Registered Trade Names

Persons and businesses wishing to register a fictitious name or a trade name must file the report of use by filing the appropriate form. A filing fee of \$50 must accompany the form. Mail the form to the Ohio Secretary of State, at the address listed on the applicable form. Expedited service is available (see **Expedited Filings**, above).

Foreign Entities

In General

Foreign entities are corporations, limited liability companies, limited partnerships, or limited liability partnerships that are formed under the laws of a state other than Ohio, or under the laws of a country other than the United States of America. Foreign entities which intend to transact business in Ohio must obtain a license from, or register with, the Ohio Secretary of State. The entity name must be available or, if it is unavailable, the entity must license or register under an assumed name or obtain consent from the entity or entities with the conflicting name. A filing fee must be paid at the time the license application or registration is filed. The applicable fees and filing addresses are listed on each form.

General Filing Procedures

Before filing any of the following types of forms, it is a good idea to check the business name for availability. This can be accomplished by accessing the Ohio Secretary of State's Web site, www.sos.state.oh.us, and clicking on the link to "Business Queries," or by sending an e-mail to the Secretary of State's Customer Service staff at busserv@sos.state.oh.us with the name to be checked. The Customer Service staff can also be reached by telephone at (877) SOS-FILE to have the name's availability checked. However, even though a name may appear to be available, the Secretary of State cannot guarantee that name's availability until the form is actually processed. The longer a business waits to register its name, the more likely it is that the name will be unavailable. The appropriate forms may be obtained from the Ohio Secretary of State's Web site or by calling (877) SOS-FILE. Forms may also be obtained in person by visiting the Secretary of State's Client Service Center, located at 180 E. Broad St., Ground Floor (Suite 103), Columbus, OH 43215.

All filings may be submitted at the Secretary of State's Client Service Center or mailed to the Secretary of State at the addresses listed on the filings. All of the filings, except requests for certificates of good standing, may be processed on an expedited basis (see **Expedited Filings**, above) for an additional \$100 expedite fee.

Specific Filing Procedures

As with Ohio-based businesses, the organization of a particular business will dictate the exact registration procedures to be followed. These steps are outlined below.

License for a Foreign Corporation

An application for a permanent or temporary license for a foreign corporation is required to be filed with the Ohio Secretary of State. A temporary license is effective for a period of six months. A foreign corporation may be licensed as a for-profit corporation, a professional corporation, or as a nonprofit corporation. A certificate of good standing under the seal of the Secretary of State or other prop-

er governmental official of the corporation's home state of incorporation establishes that the business is duly incorporated and must be submitted with the application. Additionally, a copy of the corporation's certificate of good standing issued by its home state must be filed with the foreign license application. A filing fee of \$125 must accompany the license form. Mail the license application to the Ohio Secretary of State at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Foreign Limited Liability Company

A foreign limited liability company is required to file an application for registration. A filing fee of \$125 must accompany the form. Mail the form to the Ohio Secretary of State at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Foreign Limited Partnership

A foreign limited partnership is required to file an application for registration. A filing fee of \$125 must accompany the form. Mail the form to the Ohio Secretary of State, at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Foreign Partnerships having Limited Liability

A foreign limited liability partnership is required to file an application for registration. A filing fee of \$125 must accompany the form. Mail the form to the Ohio Secretary of State at the address listed on the form. Expedited service is available (see **Expedited Filings**, above).

Ohio Business Gateway



All new or existing businesses can benefit from the **Ohio Business Gateway** as they prepare to meet their Ohio tax responsibilities.

The Ohio Business Gateway, located at **obg.ohio.gov**, is an online collaboration of state agencies and local governments designed to simplify business' relationship with government by offering a one-stop shop for the filing and payment of taxes.

The Business Gateway provides an electronic or "paperless" means of registering as a taxpayer and filing returns for the commercial activity tax (CAT), sales tax, employer withholding, unemployment compensation contributions, workers' compensation premiums and municipal income taxes for nearly 500 cities and villages. The site is also designed to accept applications for vendor's licenses and electronic payment of taxes due. Businesses receive a printable confirmation of all returns.

The Ohio Business Gateway is designed to make life easier for business owners, by reducing or eliminating postage expenses, repetitious data entry, mathematical mistakes, and the potential for overlooking required data that typically accompany paper-based methods. Taxpayers also benefit through lower government administrative costs.

Business Closing Information

If circumstances arise that force a business to shut down, there are certain tax responsibilities that must be adhered to as part of the closure process.

In general, a business is required to file a final tax return. This return must indicate that the return is a final return (many tax forms have a box provided for that purpose).

If the business is an establishment that sold, distributed, or manufactured alcohol products, the liquor permit must be transferred or disposed of.

Cigarette dealers are subject to a final inventory of both tax stamps and cigarettes. A refund is available from the Ohio Treasurer of State for unused stamps. Cigarette wholesalers and distributors are also required to file a final tobacco Master Settlement Agreement report that details the inventory sold in a monthly period.

A corporation that ceases to do business in Ohio and no longer owns any property in the state is required to file a final "exit income tax return" and pay tax on any net income that was not previously reported on an Ohio corporation franchise tax report. Corporate taxpayers are also required to file a Notification of Dissolution or Surrender with the department.

For more specific information, see **Closing a Business** in each section of this publication.

Closing a Business: Required Procedures for Secretary of State

The Ohio Revised Code requires different procedures and forms to be filed with the Ohio Secretary of State's office in order to dissolve in Ohio. In order to obtain the appropriate forms and instructions, please call the Secretary of State's Customer Service Staff at (877) SOS-FILE, send an e-mail request to busserv@sos.state.oh.us, or visit the Secretary of State Web site at www.sos.state.oh.us.

Please be prepared to provide the following information when contacting the Secretary of State's office:

- the type of entity, such as profit or nonprofit corporation, limited liability company, limited liability partnership, etc.;
- the charter number; and
- whether the business is an Ohio entity or a foreign entity licensed in Ohio.

II. General Business Taxes

[Faint, illegible text from a document or form, possibly a tax form, visible in the background.]



Commercial Activity Tax

In General

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 tax is measured by Ohio gross receipts and is paid either quarterly or annually by most businesses, located both in Ohio and outside Ohio, that operate in Ohio. It replaces the corporation franchise tax and the tangible personal property tax. The CAT was enacted in 2005 and became effective July 1, 2005.

Tax Paid By

The CAT is paid by any business 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 more than \$500,000 in taxable gross receipts in Ohio; (b) have more than \$50,000 in real or personal property in Ohio; (c) expend more than \$50,000 in payroll for work in Ohio; or (d) have more than 25 percent of their property, payroll, or gross receipts in Ohio.

There are a limited number of exceptions to the CAT, namely nonprofit organizations; financial institutions; insurance companies; affiliates of financial institutions and insurance companies; dealers in intangibles; and certain receipts by public utilities that are subject to the public utility excise tax.

There is also an exception for distribution centers whose annual costs for goods shipped into their facility equal or exceed \$500 million and that ship at least 50 percent of those goods out of state. However, qualified distribution centers are subject to a \$100,000 annual fee as of Jan. 1, 2007 (this replaced a temporary exception for qualified foreign trade zone areas that expired Dec. 31, 2006).

Sales of motor fuel are included in gross receipts (an initial two-year exemption expired on June 30, 2007).

Base and Rates

The base of the CAT is gross receipts, which is 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. The calculation for gross receipts is based on what the taxpayer is required to use for federal income tax purposes, i.e., accrual or cash basis.

The tax is being phased in over a five-year period in approximately equal increments beginning July 1, 2005. Businesses with annual gross receipts of \$150,000 or less are not subject to the CAT. Annual gross receipts from \$150,001 - \$1.0 million are subject to a minimum \$150 tax (the minimum tax for the first tax period was \$75).

For gross receipts over \$1.0 million, rates are:

- 0.104 percent from Jan. 1, 2007 to March 31, 2007 and 0.156 percent from April 1, 2007 to Dec. 31, 2007.
- 0.156 percent from Jan. 1, 2008 to March 31, 2008 and 0.208 percent from April 1, 2008 to Dec. 31, 2008.
- 0.208 percent from Jan. 1, 2009 to March 31, 2009 and 0.26 percent from April 1, 2009 to Dec. 31, 2009.

On Jan. 1, 2010, the permanent rate of the CAT will be 0.26 percent.

Credits

The following credits are allowed against CAT liability beginning July 1, 2008:

- job creation credit. Effective July 1, 2007, eligibility for this credit was expanded to include companies that contract with an unrelated third party to build a new headquarters and make other significant capital investment, subject to three conditions: (i) the initial term of the lease with the developer must be at least 20 years; (ii) the total term of the lease must be at least twice the term of the tax credit; and (iii) the headquarters must be part of a mixed use development – for offices,

research and development, retail, or a hotel – and must include at least two of these uses. A second provision effective July 1, 2007, allows business that are eligible for this credit and are organized as pass-through entities (such as partnerships, S corporations, and limited liability companies) to irrevocably elect to apply the credit against either the entity's CAT liability or the income tax liability of the entity's owners.

- job retention credit. Effective July 1, 2007, a business that is eligible for this credit and is organized as a pass-through entity (such as partnerships, S corporations, and limited liability companies) can irrevocably elect to apply the credit against either the entity's CAT liability or the income tax liability of the entity's owners.
- credit for qualified research expenses.
- credit for research and development loan payments.

Filing Procedures

All businesses liable for the CAT are required to register with the Ohio Department of Taxation before filing a return. Registration can be done either electronically (see **Ohio Business Gateway**, below) or on paper. A one-time fee, of \$15 for electronic registrations or \$20 for paper registrations, is refundable with the first return.

If a taxpayer has taxable gross receipts over \$1.0 million, returns are due on a quarterly basis; the due date is 40 days from the end of each calendar quarter, i.e., May 10, Aug. 9, Nov. 9, and Feb. 9.

If a taxpayer is liable for only the \$150 minimum tax, annual returns are due 40 days from the end of the calendar year, i.e., Feb. 9. Beginning in 2007 and all subsequent years, the minimum tax is paid along with the prior year's annual return.

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or "paperless" means of registering for and filing this tax (see **Ohio Business Gateway**, page 14).

Primary Forms Used

CAT 1	Commercial Activity Tax Registration
CAT 12	Commercial Activity Tax – Annual Return and Minimum Tax Payment Return with Instructions
CAT 3C	Commercial Activity Tax Account's Change in Mailing or Location Address Form
CAT AR	Add/Remove a Member to/from Group – Commercial Activity Tax Consolidated Elected and Combined Taxpayer Groups
CAT Dist	Annual Application for Distribution Center Qualifying Certificate
CAT ES	Commercial Activity Tax – Request to Change Election Status
CAT FF	Commercial Activity Tax – Request to Change Filing Frequency
CAT RTFS	Commercial Activity Tax – Request to File Separately

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

Any business in or outside Ohio that is subject to the CAT and ceases to do business in Ohio must file a final CAT return. A box is provided on the return for the taxpayer to check if it is no longer in business.

For Further Information

Ohio Department of Taxation
Commercial Activity Tax Division
P.O. Box 16158
Columbus, OH 43216-6158
Phone: (888) 722-8829 (CAT Division)
Fax: (614) 644-9641

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Corporation Franchise Tax

In General

The corporation franchise tax must be paid annually by most corporations operating in Ohio. However, this tax is being phased-out for most taxpayers as part of the tax reforms enacted in 2005 (see **Corporation Franchise Tax Phase-Out**, below).

Tax Paid By

The annual corporation franchise tax is due from corporations organized under Ohio law and corporations organized under the laws of other states which do business in Ohio. For-profit electric companies, combined electric companies (those that provide electricity as well as heating or natural gas services), and local exchange telephone companies are also subject to the tax.

The following entities are exempt from the annual corporation franchise tax: S corporations, insurance companies, businesses subject to the public utility excise tax, credit unions, dealers in intangibles, limited liability companies not taxed as corporations, and nonprofit corporations.

Base and Rates

General rate:

The general franchise tax liability is the greater of:

- 4.0 mills on net worth, with a maximum liability of \$150,000, or
- 5.1 percent on the first \$50,000 of net income plus 8.5 percent on net income in excess of \$50,000, or
- a minimum tax of \$1,000 if either:
 - (a) the sum of the taxpayer's gross receipts from activities in and outside Ohio during the taxable year equals or exceeds \$5.0 million; or
 - (b) the total number of the taxpayer's employees in and outside Ohio during the taxable year equals or exceeds 300. The minimum tax for all other taxpayers is \$50.

Financial institutions¹ rate:

13 mills on net worth.

Litter tax:

Corporations, except for family farm corporations and financial institutions, are also subject to a litter tax, which is structured in two tiers.

The Tier I rate is paid by most liable corporations, except for "litter stream corporations."² The Tier I rate is the greater of:

- 0.14 mill on net worth, or
- 0.11 percent on the first \$50,000 of net income plus 0.22 percent on net income in excess of \$50,000.

The maximum Tier I tax is \$5,000.

In addition to the Tier I tax, "litter stream corporations" also pay the Tier II rate, which is the greater of:

- 0.14 mill on net worth, or
- 0.22 percent on net income in excess of \$50,000.

The maximum Tier II tax is \$5,000.

Corporation Franchise Tax Phase-Out

For most taxpayers, the corporation franchise tax will be phased out over the five-year period 2006 through 2010 (taxable years ending in 2005 through 2009; rates decrease each year to reach zero in 2010).

During this same period, Ohio's new commercial activity tax (CAT) is being phased in.

For report years 2006, 2007, 2008, 2009, and 2010 most franchise taxpayers must pay, respectively, 80 percent, 60 percent, 40 percent, 20 percent, and 0.0 percent of their tax liability after nonrefundable credits. However, the nonrefundable credit for tax paid by a qualifying pass-through entity is fully recoverable. The phase-out applies to the 2006 and subsequent years' reports even if the taxpayer's taxable year ended prior to the June 30, 2005 effective date of the new law.

Taxpayers liable for the corporation franchise tax minimum fee will continue to pay the full fee during the phase-out period.

1. Generally, "financial institutions" are banks, savings and loans, trust companies, and their affiliates. Financial institutions do not pay the general corporate franchise tax rate.

2. Litter stream corporations include corporations manufacturing or selling alcoholic beverages, soft drinks, containers, and other litter stream products.

Some entities, however, are not subject to the CAT and the phase-out of the corporation franchise tax. They are: (a) financial institutions; (b) financial holding companies; (c) bank holding companies; (d) savings and loan holding companies; (e) affiliates of entities described in (a) through (d) above when engaged in financial institution-type activities; (f) certain affiliates of insurance companies when engaged in insurance-type activities; and (g) "securitization" companies described in Ohio Revised Code 5751.01(E)(10).

Credits

The following credits are allowed against corporation franchise tax liability:

- credit in tax years 2008 and 2009 for retailers who sell alternative fuels equal to 15 cents per gallon of alternative fuel sold during calendar year 2007 that is included in tax year 2007, effective with the tax year 2008 return (for tax year 2009, the credit equals 15 cents per gallon for calendar year 2007 alternative fuel sales included in tax year 2008, plus 13 cents per gallon for alternative fuel sales in calendar year 2008 that are included in tax year 2008).
- credit equal to 25 percent of an owner's qualifying rehabilitation expenditures incurred in the rehabilitation of a historic building (this credit is also available against the dealers in intangibles tax and the individual income tax). The credit must be applied for through the Ohio Department of Development, and only 100 historic preservation tax credits can be approved during a two-year period beginning July 1, 2007.
- job creation credit (converts to a credit against the CAT on Jan. 1, 2008). Effective July 1, 2007, eligibility for this credit was expanded to include companies that contract with an unrelated third party to build a new headquarters and make other significant capital investment, subject to three conditions: (i) the initial term of the lease with the developer must be at least 20 years; (ii) the total term of the lease must be at least twice the term of the tax credit; and (iii) the headquarters must be part of a mixed use development – for offices, research and development, retail, or a hotel – and must include at least two of these uses. A second provision effective July 1, 2007, allows business that are eligible for this credit and are organized as pass-through entities (such as partnerships, S corporations, and limited liability companies) to irrevocably elect to apply the credit against either the entity's CAT liability or the income tax liability of the entity's owners.
- job retention credit (converts to a credit against the CAT on Jan. 1, 2008). Effective July 1, 2007, a business that is eligible for this credit and is organized as a pass-through entity (such as partnerships, S corporations, and limited liability companies) can irrevocably elect to apply the credit against either the entity's CAT liability or the income tax liability of the entity's owners.
- credit or grant for purchases of new manufacturing machinery and equipment (7.5 percent/13.5 percent credit). For taxable years that ended on or after July 1, 2005, the credit converted to a grant administered by the Ohio Department of Development.
- credit for taxes paid by a qualifying pass-through entity.
- credit for qualifying affiliated groups (due to related entity and related member adjustments).
- credit for recycling and litter prevention donations.
- credit for maintaining railroad crossing warning devices.
- job training credit.
- credit for qualified research expenses (converts to a credit against the CAT on Jan. 1, 2008).
- credit for eligible new employees in an enterprise zone.
- credit for eligible costs associated with voluntary action (i.e., brownfield

site clean-up, carry forward amount only; must attach credit certificate from Ohio Department of Development to tax return).

- credit for employers that establish an on-site child day care center.
- ethanol plant investment credit.
- credit for grape production property.
- technology investment credit for research and development investors (must attach credit certificate from Technology and Enterprise Advisory Board to tax return).
- enterprise zone day care and training credits.
- research and development loan payment credit (converts to a credit against the CAT on Jan. 1, 2008).
- credit for electric companies equal to \$1 per ton of Ohio coal used in a coal-fired electric generating unit (effective July 1, 2007, this credit was extended for two years and expires Dec. 31, 2009).

In addition, telephone companies may claim the following:

- credit for small companies with 25,000 or fewer access lines.
- credit for eligible nonrecurring 9-1-1 charges (cumulative credit cannot exceed \$15 million).
- credit for providing programs to aid the communicatively impaired (credit becomes refundable for report years 2006-2008 only).

Filing Procedures

New Corporate Taxpayers:

- All businesses liable for corporation franchise tax are required to register with the Department of Taxation prior to filing a return (**Note:** To complete the registration process, businesses

must have all pertinent data regarding the business: type of business, ownership, federal employer identification number, and charter number from the Ohio Secretary of State; registration can be done by telephone).

- If a taxpayer is incorporated in Ohio and adopted a fiscal period ending in the same calendar year, then the taxpayer must use the accounting period commencing on the date of incorporation and concluding with the last day of the fiscal period.

▪ If the taxpayer is a foreign corporation and adopted a fiscal period ending in the same calendar year, the taxpayer must use the accounting period which commences on the earlier of: (a) the date the corporation began doing business

in Ohio; (b) the date it began owning part or all of its property in Ohio; (c) the date it obtained a license in Ohio; or (d) the date it established nexus (taxable presence or activity) in Ohio. The accounting period concludes on the last day of the fiscal period.

- All other new taxpayers must use the accounting period commencing on the earliest of the four dates noted above and concluding with the last day of the calendar year.

All Corporate Taxpayers:

- By Jan. 31, all taxpayers must either file an annual report (FT 1120) and pay the full tax, or file an estimated report (FT 1120-E/ER/EX) and pay one-third of the estimated tax liability.
- By March 31, taxpayers not filing an annual report in January must file an annual report (FT 1120) and pay the remaining tax due or file a request for extension (FT 1120-E/ER/EX) and pay the second one-third of the estimated tax liability.



- By May 31, taxpayers who received a filing extension beyond March 31 must file an annual report (FT 1120) and pay the remaining tax due or file for an additional extension (FT 1120-E/ER/EX) and pay the remainder of the estimated tax liability. Corporations are granted this additional filing extension only if they have an approved federal extension beyond May 31. Corporations receiving this extension must file their annual report by the 15th day of the month following the month in which their federal return is due.
- If the taxpayer's annual corporation franchise tax liability exceeds \$50,000 (after nonrefundable credits), tax payments must be made by electronic funds transfer (EFT). Register online through the Ohio Treasurer of State Web site at eft.tos.gov.

Primary Forms Used

FT 1120	Ohio Corporation Franchise Tax Report
FT 1120-E/ER/EX	Estimated Ohio Corporation Franchise Tax Payment Voucher/Extension
FT 1120-FI	Ohio Corporation Franchise Tax Report for Financial Institutions
FT 1120-S	Notice of "S" Corporation Status
FT 1120-TEL	Supplemental Franchise Tax Schedules for Telephone Companies
FT 1120-EL	Supplemental Franchise Tax Schedules for Electric Companies
D5	Notification of Dissolution or Surrender

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

Generally, each corporation which ceases to do business in Ohio and which no longer owns property in Ohio must file an "exit income tax return" and pay tax on net income that has not been reported on a previously-filed Ohio franchise tax report. For detailed information,

please refer to the topic entitled, "Exit Tax - Ohio Revised Code section 5733.06(H)," in the instructions to the Ohio corporation franchise tax report, FT 1120.

Corporation franchise taxpayers must also complete ODT D5, Notification of Dissolution or Surrender, and mail or fax it to the department (this form is available under "Tax Forms" on the department's Web site at tax.ohio.gov).

For Further Information

Ohio Department of Taxation
 Taxpayer Services
 P.O. Box 182382
 Columbus, OH 43218-2382
Phone: (888) 405-4039 (Business Taxpayer Assistance)
Fax: (614) 466-1579
 Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Individual Income Tax – School District

In General

School districts may levy an income tax on residents of the district. In most cases, the tax is based on the amount reported as Ohio adjusted gross income for state income tax purposes. However, legislation enacted in 2005 allows school districts, subject to voter approval, to levy an income tax based only on the wages and self-employment income of district residents.

Employers required to withhold state income taxes are also required to withhold for the school district income tax. As of January 2008, 170 school districts (out of 614 in the state) had an income tax in effect. Of these 170 districts, 158 used Ohio adjusted gross income for state income tax purposes as the base, and 12 used the alternative base.

The Department of Taxation offers an online tool, **The Finder**, to assist business and individual taxpayers in identifying the correct taxing district. The application can be accessed through the department's Web site at tax.ohio.gov.

gov. When any Ohio address is entered, **The Finder** provides the correct location and rates for sales and use tax, school district income tax, and municipal income tax.

Tax Paid By

Individuals residing in school districts that levy the tax.

Base and Rates

School district income taxes are based on the amount of Ohio adjusted gross income reported by a resident of the school district on their Ohio state income tax return, less a personal exemption (\$1,450 in taxable year 2007) per taxpayer, spouse, and each dependent. The personal exemption is indexed annually for inflation. The tax rate must be a multiple of a quarter of one percent. A senior citizen credit of \$50 per return is allowed for qualifying taxpayers.

If the alternative base is enacted by a district, this base consists solely of wages and self-employment income of school district residents. The personal exemption does not apply.

Beginning July 1, 2007, school districts are authorized to seek a "dual purpose" income tax levy for both current expenses and permanent improvements, but the district must specify the rate apportioned for each. Districts were also authorized to reduce an income tax rate in 0.25 percent increments, with any specified rate reduction taking effect Jan. 1 of the subsequent year.

Filing Procedures

Calendar Year Taxpayers:

Must file an annual return with the state (SD 100) between Jan. 1 and April 15.

Fiscal Year Taxpayers:

Must file an annual return before the 15th day of the fourth month after the end of their fiscal year.



Withholding Agents:

Employers required to withhold state income taxes are also required to withhold school district income taxes from employees subject to the tax. All affected employers currently withholding state income taxes must apply for registration as an Ohio school district withholding agent (IT 1S). Employers make withholding payments (SD 101) on the same schedule as state withholding. Partial weekly and electronic funds transfer withholding agents file monthly.

Employers must reconcile their withholding payments on an annual basis (SD 141).

Primary Forms Used

SD 100	School District Income Tax Return
SD 100-E	School District Estate Income Tax Return
SD 100-ES	School District Estimated Income Tax Payment Voucher for Individuals
SD 100-ES-E	School District Estimated Income Tax Payment Voucher for Estates
IT 1	Application for Registration as an Ohio Withholding Agent
SD 101	Employer's Payment of School District Income Tax Withheld
SD 141	School District Employer's Annual Reconciliation

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is closing and has been withholding school district income tax should indicate on the last return filed that it is a final return.

For Further Information

Ohio Department of Taxation
School District Income Tax
P.O. Box 2476
Columbus, OH 43216-2476
Phone: (888) 405-4039 (Business Taxpayer Assistance)

(800) 750-0750 (Ohio Relay Service)

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Individual Income Tax – State

In General

Sole proprietors must pay Ohio income tax on the Ohio net earnings (defined as income after expenses) from their business. Equity investors in pass-through entities must pay Ohio income tax on their share of the entity's net earnings. Self-employed individuals generally must make estimated income tax payments.

Legislation enacted in 2005 began a phased reduction of individual income tax rates in all brackets by a total of 21 percent over five years. The reductions began with a 4.2 percent cut in the 2005 tax year. Rates fall by an additional 4.2 percent in all brackets in 2006, 2007, 2008 and 2009. In addition, the legislation granted a credit to low-income taxpayers equal to their total tax liability for those whose adjusted gross income is \$10,000 or less, meaning that those taxpayers owe no tax.

Tax Paid By

Individuals residing in Ohio or earning or receiving income in Ohio.

Base and Rates

The Ohio income tax is based on the federal adjusted gross income of the individual as defined under federal income tax law with certain adjustments under Ohio law. Personal exemptions (\$1,450 in the 2007 tax year) are allowed for the taxpayer, spouse, and each dependent. The personal exemption is indexed annually for inflation. In addition, for each personal exemption claimed, taxpayers are allowed a \$20 credit against the Ohio income tax due. A senior citizen credit of \$50 per return is also allowed for qualifying taxpayers.

Listed below are the individual income tax rates for the next three years. Please note that

the rates for 2009 represent the final year of tax rate reductions, and will be the permanent rates.

Tax Year 2007:

Taxable Income	Statutory Tax Rates
0 – \$5,000	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

Tax Year 2008:

Taxable Income	Statutory Tax Rates
0 – \$5,000	0.618% of Ohio taxable income
\$5,001 – \$10,000	\$30.90 + 1.236% of excess over \$5,000
\$10,001 – \$15,000	\$92.70 + 2.473% of excess over \$10,000
\$15,001 – \$20,000	\$216.35 + 3.091% of excess over \$15,000
\$20,001 – \$40,000	\$370.90 + 3.708% of excess over \$20,000
\$40,001 – \$80,000	\$1,112.50 + 4.327% of excess over \$40,000
\$80,001 – \$100,000	\$2,843.30 + 4.945% of excess over \$80,000
\$100,001 – \$200,000	\$3,823.30 + 5.741% of excess over \$100,000

\$200,001 – over \$9,573.30 + 6.24% of excess over \$200,000

Tax Year 2009 and thereafter:

Taxable Income	Statutory Tax Rates
0 – \$5,000	0.587% of Ohio taxable income
\$5,001 – \$10,000	\$29.35 + 1.174% of excess over \$5,000
\$10,001 – \$15,000	\$88.05 + 2.348% of excess over \$10,000
\$15,001 – \$20,000	\$205.45 + 2.935% of excess over \$15,000
\$20,001 – \$40,000	\$352.20 + 3.521% of excess over \$20,000
\$40,001 – \$80,000	\$1,056.40 + 4.109% of excess over \$40,000
\$80,001 – \$100,000	\$2,700 + 4.695% of excess over \$80,000
\$100,001 – \$200,000	\$3,639 + 5.451% of excess over \$100,000
\$200,001 – over	\$9,090 + 5.925% of excess over \$200,000

Credits

Several credits may be taken against Ohio income tax liability. These include the following:

- credit for income taxes paid to other states.
- business credits for export growth, job creation (if a qualified agreement exists), and manufacturing investment.
- credit varying from 5.0 percent to 20 percent, not to exceed \$650, of the tax otherwise due for a husband and wife filing a joint return when both earn at least \$500 of qualified Ohio adjusted gross income.
- credit for tax years beginning July 1, 2007 against the individual income tax, corporation franchise tax, or dealers in intangibles tax to owners of historic buildings. The credit is equal to 25 percent of the owner's qualifying rehabilitation expenditures 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 a two-year period beginning July 1, 2007.

- credit in tax years 2008 and 2009 against the individual income tax and corporation franchise tax for retailers who sell alternative fuels. The credit is equal to 15 cents per gallon of alternative fuel sold during calendar year 2007 that is included in tax year 2007, effective with the tax year 2008 return (for tax year 2009, the credit equals 15 cents per gallon for calendar year 2007 alternative fuel sales included in tax year 2008, plus 13 cents per gallon for alternative fuel sales in calendar year 2008 that are included in tax year 2008).
- job creation credit. Effective July 1, 2007, eligibility for this credit was expanded to include companies that contract with an unrelated third party to build a new headquarters and make other significant capital investment, subject to three conditions: (i) the initial term of the lease with the developer must be at least 20 years; (ii) the total term of the lease must be at least twice the term of the tax credit; and (iii) the headquarters must be part of a mixed use development – for offices, research and development, retail, or a hotel – and must include at least two of these uses. A second provision effective July 1, 2007, allows businesses that are eligible for this credit and are organized as pass-through entities (such as partnerships, S corporations, and limited liability companies) to irrevocably elect to apply the credit against either the entity's CAT liability or the income tax liability of the entity's owners.
- job retention credit. Effective July 1, 2007, a business that is eligible for this credit and is organized as a pass-through entity (such as partnerships, S corporations, and limited liability companies) can irrevocably elect to apply the credit against either the

entity's CAT liability or the income tax liability of the entity's owners.

- E-mail us from tax.ohio.gov (select "Contact Us")

Filing Procedures

Calendar Year Taxpayers:

Must file an annual return (IT 1040) on or before April 15.

Fiscal Year Taxpayers:

Must file an annual return on or before the 15th day of the fourth month after the end of their fiscal year.

All Taxpayers:

Must file quarterly estimated tax returns (IT 1040-ES) if they expect their tax liability to exceed the tax withheld by at least \$500. Quarterly payments equal to 22.5 percent of the estimated tax are due on or before April 15, June 15, and Sept. 15 of the current year and Jan. 15 of the next year for calendar year taxpayers. Fiscal year taxpayers must make estimated payments by the 15th day of the fourth, sixth, and ninth months of the current fiscal year and the 15th day of the first month of the following fiscal year. These rules do not apply to farmers and fishermen, who make estimated payments in the same manner as they do for federal income tax purposes.

Primary Forms Used

IT 1040	Ohio Income Tax Return
IT 1040-ES	Income Tax Estimated Payment Vouchers and Instructions

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is closing should indicate on its last return filed that it is a final return.

For Further Information

Ohio Department of Taxation
Taxpayer Services
P.O. Box 182382

Columbus, OH 43218-2384

Phone: (888) 405-4039 (Business Taxpayer Assistance)

(800) 750-0750 (Ohio Relay Service)

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)

Individual Income Tax – Withholding

In General

Employers must withhold Ohio income tax and, if applicable, school district income tax from their employees' wages each pay period. These tax payments must then be forwarded periodically to the Department of Taxation.

The Department of Taxation offers an on-line tool, **The Finder**, to assist business and individual taxpayers in identifying the correct taxing district. The application can be accessed through the department's Web site at tax.ohio.gov. When any Ohio address is entered, **The Finder** provides the correct location and rates for sales and use tax, school district income tax, and municipal income tax.

Tax Paid By

All employers maintaining an office or transacting business in Ohio must withhold Ohio income tax from wages paid to their employees. With minor exceptions, state income taxes are to be withheld from all employees unless they are residents of Michigan, Indiana, Kentucky, West Virginia, or Pennsylvania. Withholding applies to wages paid for work performed in Ohio.

Base and Rates

The Ohio Department of Taxation has issued withholding tables that show the amount of tax to be withheld depending on the employee's salary, number of exemptions, and frequency of payment (daily, weekly, biweekly, semi-monthly, or monthly). These withholding tables can be viewed on the department's Web site, tax.ohio.gov. (Click on "Business" then "Ohio Taxes," then look in the "Business" column for "Employer Withholding.")

Filing Procedures

New Employers:

An employer required to withhold income taxes from employees must register as a withholding agent (IT 1) with the Department of

Taxation within 15 days of starting a business.

All Employers:

- Each new employee must complete an exemption certificate (IT 4) indicating the number of exemptions claimed and the employee's school district of residence for school district income tax purposes.
- Employers are required to make either monthly or quarterly payments of the taxes withheld from all employees, depending on the amount of tax withheld. Partial weekly payments by electronic transfer are required of employers who withheld more than \$84,000 the previous year.
- If an employer withheld less than \$2,000 during the 12-month period ending June 30 of the preceding calendar year, payment is due no later than the last day of the month following the end of the calendar quarter.
- If an employer withheld more than \$2,000 and less than \$84,000 during the 12-month period ending June 30 of the preceding calendar year, monthly payments are due within 15 days after the end of the month.
- If an employer withheld \$84,000 or more during the 12-month period ending June 30 of the preceding calendar year, payments are required to be electronically transferred within three banking days after the partial weekly which withholding period during the employer was required to deduct and withhold. (There are two partial weekly periods each week, consisting of a consecutive Saturday, Sunday, Monday, and Tuesday, and a consecutive Wednesday, Thursday, and Friday.)
- An employer accumulating undeposited taxes of over \$100,000 during a partial weekly period is required to make payment within one banking day of the end of the partial weekly period by electronic

funds transfer.

- Statements (federal W-2 or Ohio IT 2) must be given to employees on or before Jan. 31 showing the wages paid and tax withheld during the preceding year.
- Copies of the employees' federal calendar year W-2s or Ohio IT 2, accompanied by Ohio IT 3 (transmittal form), must be filed by the last day of February.

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or "paperless" means of registering for and filing this tax (see **Ohio Business Gateway**, page 14).

Primary Forms Used

IT 1	Application for Registration as an Ohio Withholding Agent
IT 2 or W-2	Wage and Tax Statement (for employees)
IT 3	Transmittal of Wage and Tax Statement
IT 4	Employee's Withholding Exemption Certificate
IT 501	Employer's Payment of Ohio Tax Withheld (monthly or quarterly)
IT 941	Employer's Annual Reconciliation of Ohio Tax Withheld

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is closing should indicate on the last return filed that it is a final return.

For Further Information

Ohio Department of Taxation
Central Registration Unit
P. O. Box 182215
Columbus, OH 43218-2215

Phone: (888) 405-4089 (Business Tax Registration)

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Motor Vehicle License Tax

In General

The state imposes an annual license tax on motor vehicles operating on the public highways of Ohio. The rate is \$34.50 for passenger cars with various rates on other types of vehicles.

In addition, counties, townships, and municipalities may levy a permissive tax on license fees, in the amount of \$5 per levy, and never to exceed a total of \$20. A \$3.50 administrative fee for each registration application is also charged by the deputy registrars in Ohio counties.

Tax Paid By

Owners of commercial and noncommercial motor vehicles operated on public roads or highways in Ohio. This includes automobiles, motorcycles, tractors, buses, semi-trailers, trucks, and trailers.

Base and Rates

Vehicle type and annual rate:	
Passenger cars	\$34.50
House vehicle/moped	\$24.50
Motorcycles.....	\$28.50
House trailers, travel trailers	\$24.50
Transit buses.....	\$26.50
Noncommercial trucks (no more than ¾ ton) and motor homes.....	\$49.50
Noncommercial trucks to carry loads more than ¾ ton and less than one ton.....	\$84.50

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

Commercial trucks, and tractors:

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

Commercial trailer and semi-trailer: \$39.50

Non-commercial trailers:

Rates vary between several weight classes depending on the unladen weight of the vehicle. For example, for vehicles with an unladen weight of no more than 3,000 lbs., the tax ranges from \$16 to \$42.

Commercial buses:

Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight under 2,001 lbs., the rate is \$21. For vehicles with a gross weight between 78,001-80,000 lbs., the tax is \$1,641.

Farm trucks:

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

Registration Procedures

Motor vehicles must be registered annually with the Registrar of the Bureau of Motor Vehicles (BMV) or the appointed deputy registrars in each county. Permanent license plates are issued and in each succeeding year a validation sticker, color-coded for year of expiration with month of expiration printed on the sticker, is issued.

Commercial vehicles:

Effective March 1, 2004, staggered registration of commercial vehicles, trucks, trailers, and semi-trailers was implemented. Staggered registration provides for the assignment of a new primary expiration month for commercial vehicles based on the last two numbers of the carrier's tax ID number or social security number. The carrier will have the option to split his/her fleets into predetermined months.

Noncommercial vehicles:

Owners register based on day and month of birth, except company-owned vehicles which are registered alphabetically (based on the first letter of the owner's name) and expire on the 20th of the month.

Biennial registration began Jan. 1, 2004. The program allows a motorist to register for two years. The motorist pays a \$5.25 deputy reg-

istrar fee and two years' worth of permissive taxes and license registration fees. The following vehicles qualify for biennial registration: passenger car, motorcycle, moped, farm truck, noncommercial truck, and motor home.

Primary Forms Used

The local BMV or deputy registrar will provide the appropriate forms for the type of vehicle being registered.

Closing a Business

There is no requirement for a business that has a vehicle(s) registered in the business name to report its closing to the BMV. The license for the business vehicle would simply not be renewed by the business. However, business owners who sell or otherwise dispose of a vehicle registered to a business are responsible for ensuring that the title of the vehicle is properly transferred.

For Further Information

Registrar of Bureau of Motor Vehicles
P.O. Box 16520
Columbus, OH 43216-6520
Phone: (614) 752-7500

Or:

- E-mail from bmhv.ohio.gov (select "Contact Us")
- Deputy Registrars located in each county

For information on Registering a Commercial Vehicle for Interstate Operation

IRP Processing Center
2222 Dividend Drive
Columbus, OH 43228-3808
Phone: (614) 777-8400 or (800) 477-0007



Municipal Income Taxes

In General

Cities and villages in Ohio are permitted by law to levy an income tax on wages, salaries, and other compensation received by: (a) residents of the municipality and by nonresidents working in the municipality; and (b) business income resulting from activities in the municipality.

Local exchange telephone companies and electric light companies — including electric companies and certain marketers and brokers of electricity — are also subject to the municipal income tax. Chapter 5745 of the Ohio Revised Code allows these taxpayers to submit one annual return to the state, rather than to all the municipalities in which they have property, payroll, and sales.

The Department of Taxation offers an on-line tool, **The Finder**, to assist business and individual taxpayers in identifying the correct taxing district. The application can be accessed through the department's Web site at tax.ohio.gov. When any Ohio address is entered, **The Finder** provides the correct location and rates for sales and use tax, school district income tax, and municipal income tax.

Tax Paid By

Employers who are located in a municipality levying an income tax must withhold taxes from wages and salaries paid to employees, and can withhold taxes from wages and salaries paid to employees who reside in a municipality levying an income tax. Withholding payments are usually made on a monthly or quarterly basis to the local taxing authority. Businesses that have taxable income in a municipality on which tax has not been withheld and firms doing business in the city usually make quarterly estimated payments.

Electric light companies and local exchange telephone companies that have property, payroll, and sales in a municipality file annually with the state.

Base and Rates

Base:

Municipal income taxes are generally applied to the following:

- all wages, salaries, commissions, and other compensation received by residents of the municipality;
- wages, salaries, commissions, and other compensation received by non-residents for work performed in the municipality; and
- the net profits attributable to activities in the municipality by incorporated or unincorporated businesses. The business apportions its income to the municipality based on its property, payroll, and sales within the municipality compared to its property, payroll, and sales outside the municipality.

Partial or full credit may be given to individual resident taxpayers who pay municipal income taxes to a different municipality where they are employed.

Beginning July 1, 2007, a municipality is prohibited from requiring a company to withhold municipal income taxes from sickness or accident disability payments. The liability of the recipient, however, remains unchanged.

Compensation paid to employees within a United States Air Force base is exempted from municipal income tax, effective Aug. 1,

2007, unless the employee is a resident of the municipality.

For electric light companies and local exchange telephone companies, the base is adjusted federal income multiplied by its Ohio apportionment ratio used to determine Ohio corporation franchise taxable income. Ohio income is then multiplied by the taxpayer's municipal apportionment ratio for the particular municipality (based on its property, payroll, and sales there) to determine the taxable municipal income.

Rates:

The tax rate must be uniform within a municipality, but rates vary among municipalities since they are determined locally. As of 2005, the most recent year for which data is available, 558 municipalities (234 cities and 324 villages) levied an income tax. Rates ranged from 0.30 percent to 3.00 percent.

Electric light companies and local exchange telephone companies are subject to these same rates under Ohio Revised Code Chapter 5745. Any overpayment of this tax is credited to the following year's tax liability.

Filing Procedures

Information can be obtained from the municipality. In some areas, regional collection agencies may administer and collect taxes for a group of municipalities. Taxpayers are also able to register and file taxes in nearly 500 Ohio municipalities through the **Ohio Business Gateway** (see page 14).

Electric light companies and local exchange telephone companies file annually by April 15 with the Ohio Department of Taxation. For registration and the appropriate forms for these companies, please refer to the department's Web site at **tax.ohio.gov**. (Click on "Online Services" then "File Municipal Income Tax for Electric Light Companies and Local Exchange Telephone Companies Online.")

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or "paperless" means of registering for and filing this tax in nearly 500 municipalities (see **Ohio Business Gateway**, page 14).

Closing a Business

A business that is closing should indicate on its last return filed that it is a final return.

For Further Information

The municipality where the residence, employment, or business is located. The Department of Taxation maintains an Internet link to the income tax information of all municipalities at tax.ohio.gov. (Click on "Business" then "Ohio Taxes" and "Municipal Income Tax.")

Information regarding electric light companies and telephone companies is available on the Department of Taxation's Web site at tax.ohio.gov by clicking on "Online Services" then "File Municipal Income Tax for Electric Light Companies and Local Exchange Telephone Companies Online."

Pass-Through Entity Tax

In General

A qualifying pass-through entity doing business in Ohio or otherwise having nexus (taxable presence or business activity) with Ohio is required to pay tax on the qualifying investors' shares of the entity's Ohio profits. Qualifying trusts are also subject to tax on Ohio property-related income distributed to nonresidents of Ohio.



Tax Paid By

The tax is paid by qualifying pass-through entities and qualifying trusts. Qualifying pass-through entities are generally S corporations, partnerships, or limited liability companies treated as a partnership for federal income tax purposes. However, the following are not qualifying pass-through entities (as defined in Ohio Revised Code section 5733.40):

- entities without any qualifying inves-

tors;

- pension plans and charities;
- publicly-traded partnerships;
- qualified subchapter S subsidiary corporations (QSSS);
- entities treated as a "disregarded entity" for federal tax purposes; and
- real estate investment trusts (REITs), regulated investment companies (RICs) and real estate mortgage investment conduits (REMICs).

Base and Rates

The entity is subject to a 5.0 percent withholding on the sum of all the qualifying nonresident individual investors' distributive shares of the entity's Ohio income and gain. Except as discussed in **Pass-Through Entity Phase-Out**, below, for qualifying investors that are not individuals, the entity is subject to an 8.5 percent tax on the sum of such investors' distributive shares of Ohio income and gain. No tax is due if Ohio income and gain do not exceed \$1,000.

Any investor in a qualifying pass-through entity is a qualified investor unless excluded by statute. Among those excluded as qualified investors are nonresident individuals on whose behalf the entity files Ohio IT 4708, individual investors that are residents of Ohio, investors that are themselves qualifying pass-through entities if they meet certain conditions (see Ohio Revised Code section 5733.40(2)), "investment pass-through entities," and certain investors that submit a statement to the qualifying pass-through entity agreeing that the investor is subject to Ohio corporation franchise tax on its distributive share of income from the entity. (For a complete list of qualifying investor exclusions, see Ohio IT 1140 instructions.) Qualifying investors can claim an income tax or franchise tax credit based upon the investor's proportionate share of the tax paid by the pass-through entity.

Pass-Through Entity Phase-Out

The 8.5 percent entity tax is being phased-out between taxable years 2005 and 2009 for certain qualifying investors that are subject to the corporation franchise tax. The pass-through entity tax rate applicable to those taxpayers'

distributive shares of income for taxable year 2005 was 6.8 percent; the rate decreased to 5.1 percent for 2006, 3.4 percent for 2007, 1.7 percent for 2008, and 0.0 percent for taxable year 2009 and thereafter.

The following investors, however, will continue to be subject to the 8.5 percent rate:

- estates, trusts and other pass-through entities;
- financial holding companies;
- bank holding companies;
- savings and loan holding companies;
- persons, other than persons held pursuant to merchant banking authority, that are 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 engaged in federally-permitted activities within a financial holding company;
- persons directly or indirectly “owned” by one or more insurance companies that are: (a) authorized to do the business of insurance in Ohio, and (b) paying the Ohio insurance-premiums tax; and
- 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.

Credits

The following credits are allowed for pass-through entity tax:

- qualifying individual investors are eligible for a credit against Ohio individual income tax based upon the investor’s proportionate share of the withholding tax and entity tax, if any.
- qualifying non-individual (corporate) investors are eligible for a credit against Ohio corporation franchise tax based upon the investing corporation’s proportionate share of the entity tax.

- job creation credit. Effective July 1, 2007, a business that is eligible for this credit and is organized as a pass-through entity (such as partnerships, S corporations, and limited liability companies) can irrevocably elect to apply the credit against either the entity’s CAT liability or the income tax liability of the entity’s owners.
- job retention credit. Effective July 1, 2007, a business that is eligible for this credit and is organized as a pass-through entity (such as partnerships, S corporations, and limited liability companies) can irrevocably elect to apply the credit against either the entity’s CAT liability or the income tax liability of the entity’s owners.

Filing Procedures

Calendar Year Taxpayers:

Must file an annual return (IT 1140) on or before April 15.

Fiscal Year Taxpayers:

Must file an annual return on or before the 15th day of the fourth month after the end of the fiscal year.

All Taxpayers:

Must file quarterly estimated returns (IT 1140-ES) if: (a) the sum of the “adjusted qualifying amounts” for all qualifying investors during the prior taxable year exceeds \$10,000; and (b) the entity reasonably expects the sum of the “adjusted qualifying amounts” for the current taxable year to exceed \$10,000.

Quarterly payments equal to 22.5 percent of the estimated tax are due on or before the 15th day of the month following the last day of each quarter of the taxable year.

Primary Forms Used

IT 1140	Pass-Through Entity and Trust Withholding Tax Return
IT 1140-ES	Ohio Estimated Withholding Tax Payment Coupon for Pass-Through Entities and Trusts
IT 4708	Annual Composite Income Tax Return for Investors in Pass-Through Entities
IT 4708-ES	Ohio Estimated Income Tax Extension Payment Coupon for

Investors in Pass-Through Entities

Find forms at tax.ohio.gov or call (800) 282-1782.)

In lieu of filing IT 1140 and IT 1140-ES with respect to nonresident individual qualifying investors in a pass-through entity, the pass-through entity can file IT 4708 (composite income tax annual return) and IT 4708-ES (composite estimated income tax return).

For calendar year pass-through entities, IT 4708 is due on the following April 15. For fiscal year pass-through entities, IT 4708 is due on April 15 of the calendar year immediately following the calendar year in which the last day of the pass-through entity's fiscal year ends.

Closing a Business

A business that is closing and has been filing IT 1140 and IT 4708 should indicate on the last return filed that it is a final return.

For Further Information

Ohio Department of Taxation

Taxpayer Services

P.O. Box 182382

Columbus, OH 43218-2382

Phone: (888) 405-4039 (Business Taxpayer Assistance)

Fax: (614) 466-1582

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Real Property Tax

In General

Real property, or real estate, which includes land and improvements to land (buildings, etc.), is subject to property tax in Ohio. The taxable value of real estate is 35 percent of market value, except for land devoted exclusively to commercial agriculture, which is assessed at 35 percent of its current agricultural use value.

Counties must reappraise all real estate every six years and update values every three years. The average effective tax rate on busi-

ness real property for taxable year 2006, the most recent year for which data is available, was 63 mills.

Tax Paid By

Owners of real property not specifically exempt.

Base and Rates

The tax rates applied to the taxable value of real estate are determined locally and vary with the location of the property. Under state law, all real estate tax bills are reduced by 10 percent (except for real property used in a business activity), and the state reimburses local governments for the revenue lost. Taxes on a homestead (owner-occupied dwelling of one acre or less) are reduced by an additional 2.5 percent.

The 2.5 percent rollback is generally not available to businesses (commercial property) because it only applies to property used as an individual's primary residence. Real estate tax bills for residential, agricultural, commercial, and other types of property are also reduced by the application of reduction factors whenever property is reappraised or values are updated; therefore, tax bills do not rise as rapidly as property values unless the voters approve additional tax millage.

As an economic development tool, local political subdivisions or districts may offer real property tax abatements for a period of years to businesses that locate within their subdivisions. Another tool is tax increment financing within a targeted area, in which some portion of the property tax resulting from an increase in values due to improvements made to property is dedicated to infrastructure improvements in the targeted area.

Effective July 1, 2007, individuals who purchase residential rental property in counties with populations over 200,000 are required to register contact information with the county auditor within 60 days of the property transfer. Auditors in the affected counties are required to include a statement to this effect when the property is transferred and with the real property tax bill.

Filing Procedures

Property owners are not required to file returns for the tax on real estate. County auditors determine the value of real estate in their counties and county treasurers bill the property owners. The tax is payable in two installments, due by Dec. 31 and the following June 20; however, these dates are often extended.

Closing a Business

No particular steps are required when closing a business. However, the real property tax becomes a lien on the first day of January and will continue until the taxes, including any penalties, interest, or other charges accruing thereon, are paid.

For Further Information

County auditor where the property is located.

Real Estate Transfer Tax

In General

Sellers of real estate must pay a fee to the county auditor of 0.1 percent of the value of the property sold or transferred, also referred to as the real estate conveyance fee. Counties may also levy an additional fee on such transfers.

Tax Paid By

Owners of real estate selling or transferring the property to others.

Base and Rates

The transfer tax is levied on the face value (either the selling price or estimated selling price) of the property. The statewide rate – revenue from which goes to the county where the property is sold – is 0.1 percent (one dollar per thousand dollars of value). A county may also impose an additional permissive levy of up to 0.3 percent (up to three dollars per thousand dollars of value).

As of 2005, the most recent year for which data is available, 83 counties levied this additional tax or conveyance fee; the exceptions

were Auglaize, Franklin, Morgan, Ross, and Scioto counties. The additional rates ranged from 0.1 percent to 0.3 percent. A county may also prescribe a lower permissive transfer tax rate for the transfer of a deed conveying a homestead for which the seller or grantor had received the homestead exemption based on age or disability.

Effective July 1, 2007, individuals who purchase residential rental property in counties with populations over 200,000 are required to register contact information with the county auditor within 60 days of the property transfer. Auditors in the affected counties are required to include a statement to this effect when the property is transferred and with the real property tax bill.

Filing Procedures

Before a deed can be recorded, the buyer or grantee must file with the county auditor either a DTE 100 with payment of the transfer tax or a DTE 100(EX) stating the reason for exemption from the tax. These forms are available from the county auditor.

Closing a Business

No particular steps are required when closing a business. However, if a deed to real property used in the business is issued to transfer title into a new name, either the taxable or exempt form must be filed.

For Further Information

County auditor where the property is located.

Sales and Use Taxes

In General

Ohio sales tax applies to the retail sale, lease, and rental of tangible personal property as well as the sale of selected services in Ohio. The Ohio use tax applies to the storage, use, or consumption of tangible personal property in Ohio – or the receipt of the benefit of selected services in Ohio – if sales tax was not paid to the vendor or seller. The state sales and use tax rate is 5.5 percent. Counties and regional transit authorities may levy additional local sales and use taxes.

The Department of Taxation offers an on-line tool, **The Finder**, to assist business and individual taxpayers in identifying the correct taxing district. The application can be accessed through the department's Web site at **tax.ohio**.



gov. When any Ohio address is entered, **The Finder** provides the correct location and rates for sales and use tax, school district income tax, and municipal income tax.

Tax Paid By

Retailers:

The sales tax is collected from customers and remitted to the state by:

- retailers (vendors) located in Ohio that make taxable retail sales.
- sellers having substantial nexus with Ohio, or who are voluntarily registered with Ohio, that make taxable retail sales from outside of Ohio for use in Ohio.
- vendors providing selected services to consumers in Ohio.

All Businesses:

Companies using, storing, or consuming tangible personal property in Ohio or receiving services subject to the sales tax or use tax must pay the proper tax if the tax was not paid to the vendor or seller. Companies purchasing items or services on which only the state tax was paid to the seller are subject to the additional county and/or transit authority taxes if those items or services are in an area where the county and/or transit taxes are in effect. Some businesses may be authorized to pay the tax on their purchases directly to the state

if the taxability of the purchases cannot be determined at the time of purchase. Such businesses would apply for a direct pay permit and file returns on a monthly or quarterly basis.

Base and Rates

The sales tax applies to all retail sales, leases, and rentals of tangible personal property unless specifically exempted. The tax also applies to the rental of hotel rooms by transient guests, the fabrication of tangible personal property, and the provision of warranty, maintenance, or service contracts for tangible personal property. In addition, the following services are taxable:

- repairs of tangible personal property.
- installation of tangible personal property.
- fabrication of tangible personal property.
- storage of tangible personal property.
- washing (except coin-operated), waxing, polishing, and painting of motor vehicles.
- industrial laundry cleaning services.
- specified telecommunications services.
- automatic data processing, computer, and electronic information services for business use.
- landscaping and lawn care services.
- private investigation and security services.
- building maintenance and janitorial services.
- employment services.
- employment placement services.
- exterminating services.
- personal care services.
- physical fitness facility service.
- recreation and sports club service.
- satellite broadcasting services.
- snow removal services.
- transportation of persons by motor vehicle or aircraft entirely within this state.
- motor vehicle towing services.

The use tax applies to tangible personal property purchased, leased, or rented outside Ohio for use, storage, or consumption in the

state and the benefit received in Ohio of the services listed above.

The state sales and use tax rate is 5.5 percent. In addition, counties may levy a “piggy-back” tax of up to 1.5 percent. Regional transit authorities may levy a tax of up to 1.5 percent.

As of July 1, 2007, permissive sales taxes were levied in all of Ohio’s 88 counties and by seven transit authorities. Rates change periodically and are posted to the department Web site at tax.ohio.gov.

Some of the major exemptions from the sales and use tax include the sale of food for off-premises consumption, purchases of food with food stamps, motor vehicle fuel upon which the fuel excise tax has been paid, drugs that may be dispensed only pursuant to a prescription, and sales to the federal government, state government, and Ohio’s political subdivisions. Tangible personal property is exempt if used primarily in a manufacturing operation, if used directly in the production of tangible personal property for sale by mining or farming, or if used directly in the rendition of a public utility service.

Legislation enacted in 2007 eliminated a former exemption for sales of motor vehicles to Ohio nonresidents. Effective Aug. 1, 2007, Ohio motor vehicle dealers must collect sales tax on sales to residents of states that treat sales to Ohio residents the same way. The rate is 6.0 percent, with an allowance for trade-ins. Additionally, motor vehicle dealers must collect sales tax at the rate of 6.0 percent on sales of vehicles to nonresidents of Ohio that remove the vehicle purchased from Ohio to be titled, registered or used in a foreign nation.

As of early 2008, Ohio was an associate member of the Streamlined Sales and Use Tax Agreement, a multi-state effort to harmonize sales tax rules across state lines.

As part of this agreement, Ohio had been encouraging vendors who engage in delivery sales to move toward destination sourcing of those sales – in other words, calculating the rate at the destination of the sale rather than the location of the vendor.

This destination sourcing requirement had generated concern among small business owners. So, in late 2007, the Streamlined Sales

Tax Governing Board agreed to allow states like Ohio to become full members while sticking with the origin sourcing of intrastate delivery sales of tangible personal property.

As a result, House Bill 429, expected to be enacted this spring, will require the relative few delivery sellers who already made the switch to destination sourcing to go back to origin sourcing of delivery sales by Jan. 1, 2010.

Filing Procedures

New Companies Establishing an Account:

All businesses engaged in sales or service and liable for sales and use taxes are required to register with the Department of Taxation prior to obtaining a vendor’s license and filing a return. To complete registration, businesses must have all pertinent data regarding the business, including the type, ownership, the federal employer identification number, the charter number from the Ohio Secretary of State, and, if applicable, an Ohio liquor permit number issued by the Division of Liquor Control. Registration can be done by telephone or through the **Ohio Business Gateway** (see page 14).

Retailers (vendors) with a fixed place of business in Ohio must apply for a vendor’s license (ST 1) with the county auditor of the county in which the business will be located, the Department of Taxation, or the **Ohio Business Gateway**. Businesses providing taxable services (see **Base and Rates**) apply for a service vendor’s license with the Department of Taxation or **Ohio Business Gateway**. There is a \$25 application fee for this license.

Retailers who sell based on orders received by telephone or mail and deliver the merchandise to the consumer must apply for a delivery vendor license with the Department of Taxation or the Business Gateway. Vendors making retail sales from a stock of goods in counties where they have no fixed place of business must apply for a transient vendor license with the Department of Taxation or the Business Gateway. There is a \$25 application fee for each of these licenses.

Sellers outside of Ohio engaged in the business of selling in Ohio must register (UT 1000) with the Department of Taxation or the Busi-

ness Gateway (no fee). Consumers of taxable goods and services on which no sales tax was charged should register for a consumer's use tax account (UT 1008).

Applications for all types of registration are available on the department's Web site, tax.ohio.gov (look under "Ohio Taxes," select "Sales and Use," then click on "License and Filing Requirements").

All companies must file returns:

Sales tax returns are due by the 23rd of the month following the end of the reporting period. Retailers are required to file either monthly or semiannual returns. For sales tax and seller's use tax, a discount of 0.75 percent of the liability is given if the return and tax payment are filed on time.

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or "paperless" means of registering for and filing this tax (see **Ohio Business Gateway**, page 14).

Streamlined Sales Tax Registration

Vendors or sellers that wish to register with all member states of the Streamlined Sales Tax Agreement (including Ohio) can register through the Streamlined Agreement's Central Registration System. This is a one-stop, online registration system which can be found at streamlinedsalestax.org (click on "Registration System").

Primary Forms Used

ST 1	Application for Vendor's License to Make Taxable Sales
ST 1-D	Application for Delivery Vendor's License
ST 1-S	Application for Service Vendor's License
ST 1-T	Application for Transient Vendor's License
ST 26	Application for Cumulative Return Authority
UST 1	Universal Sales Tax Return
UT 1000	Application for Certificate of Registration
UT 1008	Application for Consumer's Use Tax Registration
UUT 1	Universal Use Tax Return
D5	Notification of Dissolution or Surrender

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is closing must so indicate on its final UST 1, monthly/semiannual sales tax return, by checking a box provided for that purpose and providing the closing date of the business. However, if the business is an establishment that holds a liquor license, the vendor's license cannot be cancelled as long as the liquor license is active. The owner must contact the Ohio Department of Commerce, Division of Liquor Control, to ensure the proper procedures are followed for disposition of the license.

Sales and use taxpayers that are incorporated must also complete ODT D5, Notification of Dissolution or Surrender, and file it with the department (this form is available under "Tax Forms" on the department's Web site at tax.ohio.gov).

For Further Information

New Businesses:

Ohio Department of Taxation

Central Registration

P. O. Box 1090

Columbus, OH 43216-1090

Phone: (888) 405-4039 (Business Taxpayer Assistance)

Other inquiries:

Ohio Department of Taxation

Sales and Use Tax

P.O. Box 530

Columbus, OH 43216-0530

Phone: (614) 466-7351

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Tangible Personal Property Tax

In General

All tangible personal property used in business in Ohio is subject to property tax unless specifically exempted or excluded. Tangible

personal property includes machinery, equipment, inventories, furniture, fixtures, and other similar types of property used in business. Tangible personal property is valued at a percentage of its true value for tax purposes and the tax rate applied to the property is determined locally. In tax year 2005, the most recent year for which data is available, the average effective tax rate was 79.51 mills.

The tangible personal property tax on general business is being phased out. For the vast majority of businesses, 2008 will be the last year they face a liability on this tax (see **Tangible Personal Property Tax Phase-Out**, on the following page).

Tax Paid By

Businesses owning tangible personal property used in business in Ohio.

Base and Rates

The taxable value of tangible personal property is determined by applying a listing percentage to the true value of the property. The percentage used to determine taxable value in 2007 is 12.5 percent for most businesses. These percentages will be reduced annually until they are zeroed out in 2009.

The tax rates used for tangible personal property are determined locally and vary with the location of the property. Tax incentives may be available to encourage economic development.

The major exemptions from the tangible personal property tax are:

- the first \$10,000 of taxable value for each taxpayer. (A provision in the state budget bill for fiscal years 2008-2009 excludes telecommunications companies from this exemption.)
- the personal property of government, schools, colleges, churches, and property owned and not used in business.
- licensed motor vehicles and aircraft.
- personal property used in agriculture.
- patterns, jigs, dies, and drawings used in business that are held for use and not for sale.
- certified air, water, and noise pollution control equipment and facilities.
- the property of insurance companies, financial institutions, and dealers in intangibles used in their business, which are exempt unless the equipment is leased to others.
- the 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 Jan. 1, 1992 and only inventories exempt under federal law in foreign trade zones established on or after Jan. 1, 1992.
- property shipped from outside Ohio and held in Ohio for storage only.
- leased property used exclusively for agricultural purposes.
- machinery and equipment designed for agricultural use while in the inventory of a merchant.
- qualified tangible personal property located in an enterprise zone (such zones are defined as a locally-designated area targeted for economic development in which businesses are eligible for tax incentives for certain new business investments).
- machinery and equipment while under installation or construction in a plant or facility and not capable of operation.
- the property owned by a port authority and leased to a railroad (partially exempt for a period of ten years).
- the property used in the production of grape juice or wine and not held in labeled containers in which it will be sold.

Tangible Personal Property Tax Phase-Out

The elimination of the tax occurs in phases between 2006 and 2009 for most businesses, and between 2007 and 2011 for telephone and telecommunications companies. The principal components of the phase-out are highlighted below:

- Beginning Jan. 1, 2006, the tangible personal property tax on general business will be phased-out over a four-year period. The listing percentage on tangible personal property is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008, and 0.0 percent for 2009 and thereafter.
- The listing percentage for manufacturing equipment first used in business in Ohio after Jan. 1, 2005 is 0.0 percent.
- Local governments and schools will be reimbursed for 100 percent of revenue lost to the phase out of the tangible personal property tax from calendar years 2006 through 2010. These reimbursements will be gradually phased out between calendar years 2011 through 2017. Starting in 2019, 70 percent of commercial activity tax (CAT) revenues will be dedicated to schools.
- Beginning Jan. 1, 2006, reimbursements to local governments and schools for revenue lost from the exemption of the first \$10,000 of taxable value for each taxpayer are gradually being phased out. There will be no reimbursement after fiscal year 2009.
- Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with their property valued and assessed as tangible personal property.
- Beginning Jan. 1, 2007, the tax on telephone company and inter-exchange telecommunications company tangible personal property is being phased

out according to a different schedule. The assessment rate is 20 percent for 2007, 15 percent for 2008, 10 percent for 2009, 5.0 percent for 2010, and 0.0 percent for 2011 and thereafter. Reimbursements to local governments and schools for this component of the tangible personal property tax will be phased out between 2012 and 2018. Starting in 2019, 70 percent of CAT revenues will be dedicated to schools.

Filing Procedures

New Businesses:

New taxpayers must file a tax return within 90 days of the first day of business (TPP 920-NT). Taxpayers with property in only one county file a return (TPP 920) with the auditor of that county.

Taxpayers with property in more than one county file a return (TPP 945) with the Department of Taxation. An Ohio balance sheet (TPP 921) must accompany each return.

All Businesses:

Taxpayers with property in only one county pay one-half of their tax liability on or before April 30, and the remainder by Sept. 20. Taxpayers with property in more than one county pay their tax liability in one installment on or before Sept. 20.

Effective July 1, 2007, telecommunications companies can file returns directly with the Tax Commissioner, regardless of whether or not they conduct business in a single county.

Primary Forms Used

TPP 920	County Return of Taxable Business Property Booklet (for taxpayers with property in only one county)
TPP 920-NT	New Taxpayer Return Booklet (for new taxpayers with property in only one county)
TPP 945	Inter-County Return of Taxable Business Property Booklet (for taxpayers with property in more than one county)
TPP 937	True Value Computation
TPP 913-EX	Return of Exempt Personal Property

TPP 902
D5

(for taxpayers with property in an enterprise zone or reclamation area)
Claim for Deduction from Book Value
Notification of Dissolution or Surrender

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business must file a tangible personal property tax return when it is in business on its tax listing date and the following Jan. 1, which is the lien date for all taxpayers. Any business that closes prior to its listing date for a particular tax year (Dec. 31 for calendar year-end taxpayers and the fiscal year-end date for fiscal year-end taxpayers) and prior to Jan. 1 of the next calendar year does not need to file a return for the tax year in which it closes its business. However, any business that closes prior to filing its tax return for the last year that it was in business, that includes a listing date and lien date, must still file that tax return.

Tangible personal property taxpayers that are incorporated must also complete ODT D5, Notification of Dissolution or Surrender, and file it with the department (this form is available under "Tax Forms" on the department's Web site at tax.ohio.gov).

For Further Information

County auditor of county where property is located,

Or:

Ohio Department of Taxation
Tangible Personal Property Tax
P. O. Box 530

Columbus, OH 43266-0030

Phone: (614) 466-8123 or (888) OHIO-PPT (888-644-6778; Tangible Personal Property Tax Division)



Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Unemployment Compensation Contributions

In General

Employers of one or more workers may be required to make payments, called contributions, on wages paid to employees. These payments support Ohio's system of unemployment compensation benefits.

Contributions Paid By

Employers falling into any of the following categories must make unemployment fund contributions:

- regular employment - employ at least one worker in some portion of a day in each of 20 different weeks during the current or preceding calendar year (it need not be the same employee); or pay \$1,500 or more in wages during any calendar quarter of the current or preceding year.
- agricultural employment - workers are covered when the business employs ten or more workers for some portion of a day in each of 20 different weeks during the current or preceding calendar year; or when the employer pays \$20,000 or more in cash remunerations in any calendar quarter during the current or preceding year.
- domestic employment - workers are covered when their employer pays at least \$1,000 in cash remuneration in any calendar quarter of the current or preceding year.
- nonprofit organizations - employ four or more workers for some portion of a day in each of 20 different weeks during the current or preceding year.
- employers subject to the federal un-

- employment and training act (FUTA) in either the current or preceding year.
- employers that acquire a trade or business from an employer who was subject to the Ohio law.

The following types of workers are not covered by this tax:

- family members (spouse, parents, or children under 18 years of age) not employed by a corporation.
- workers paid solely by commissions and not covered under federal law.
- newspaper and news carriers under 18 years of age.
- independent contractors meeting certain requirements.

Base and Rates

Employers must make contributions on the first \$9,000 of each covered employee's wages. The contribution rate for new employers in 2008 is 2.7 percent, except employers engaged in the construction industry. The rate for new employers engaged in construction is 5.8 percent for 2008. Employers pay this rate until they have made contributions long enough to qualify for an experience rate. Experience rates vary yearly, depending on the ratio of the employer's balance in the unemployment fund to the average annual payroll and several other factors. Experience rates for 2008 vary from 0.5 percent to 9.2 percent.

Filing Procedures

New Employers:

Must file a Report to Determine Liability application (JFS 66300) to enable the Ohio Department of Job and Family Services to determine liability as soon as the employer has one or more employees in covered employment.

All Employers:

Must file quarterly Employer's Report of Wages and Contribution report (JFS 66111) by the end of the month following the close of the calendar quarter. For example, the report for the first quarter ending March 31 must be filed by April 30. The employer's contribution payment for the quarter must be included with the report.

Additional information is available in the unemployment compensation section of the Ohio Department of Job and Family Service's Web site, jfs.ohio.gov/ouc/uctax.

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or "paperless" means of registering for and filing this tax (see **Ohio Business Gateway**, page 14).

Primary Forms Used

JFS 66300	Report to Determine Liability
JFS 66111	Employers' Report of Wages and Contribution report

Closing a Business

A business that is closing or transferring can complete and submit one of two forms:

- JFS 66112A - Change in Status/Address (this form is included in the required form JFS 66111, Employers' Report of Wages and Contribution Report).
- JFS 66308 - Disposition of Business (this form is specifically used by employers to report a change of ownership or the dissolution of a business).

For Further Information

Ohio Department of Job and Family Services
Contribution Section
P.O. Box 182404
Columbus, OH 43218-2404
Phone: (614) 466-2319

Workers' Compensation Premiums

In General

The state insurance fund is a no-fault insurance program designed to protect the employee and employer when a work-related injury, an occupational disease, or death occurs. All employers must pay premiums unless granted the privilege of self-insurance for liabilities associated with work-related accidents. To qualify as a self-insuring employer, an employer must meet requirements established by law. More

information on self-insurance may be obtained by contacting the Ohio Bureau of Workers' Compensation (BWC) at (800) OHIOBWC (or (800) 644-6292), or visiting www.ohiobwc.com.

Premiums and Coverage

Employers make premium payments and may not deduct the premiums from an employee's wages. Employers also may not ask an employee to give up the right to workers' compensation benefits. Premium payments are based on the employer's payroll and type of business. Partners, sole proprietors and individuals incorporated as corporations (with no employees) may elect to obtain coverage, as may officers of family farm corporations and ministers. Sponsoring organizations may provide coverage for apprentice, pre-apprentice, and similar specified training programs. Domestic workers, such as gardeners and housekeeper laborers (employed to work in or around the home) need to be covered when they earn \$160 or more from one employer during a calendar quarter. A calendar quarter is any consecutive 13-week period during a year.

Premium Rates

The Ohio Revised Code requires BWC to classify industries according to classifications established by the National Council on Compensation Insurance (NCCI). Each separate industry classification has its own basic premium rate. The cost of claims in each industry classification and not just an employer's own experience determines rates. Based on actuarial analyses coordinated by BWC's Chief Actuary and its actuarial section, the administrator recommends all premium rates and assessments to the Workers' Compensation Board of Directors for final approval. In the actuarial analyses, base rates are calculated by estimating the cost of claims expected to occur in the next year using costs of past accidents and diseases in each industrial classification. Employers with greater than \$8,000 in expected losses are experience rated. Experience rating incorporates an employer's individual claims cost for the oldest four of the last five calendar years to determine a debit or credit from the base rate.

An employer's accident experience, fluctua-

tions in payroll, medical costs, and workers' compensation benefit levels set by the Ohio General Assembly are the primary factors affecting premium rates. New rates for private state-fund employers are effective each July 1 and new rates for public state-fund employers are effective each Jan. 1. For more information, call (800) OHIOBWC, (or (800) 644-6292), or visit www.ohiobwc.com.

Acquiring Coverage

New Employers:

Ohio law requires every employer with one or more employees to obtain workers' compensation coverage. To obtain coverage, use the Application for Ohio Workers' Compensation Coverage (U-3). This application requires a detailed description of the type of work performed and the equipment used. A \$10 security deposit must be included with the application. Forms are available at local BWC customer service offices or by calling (800) OHIOBWC (or (800) 644-6292) or visiting www.ohiobwc.com.

Coverage becomes effective when the BWC receives the completed U-3 and a \$10 security deposit. The employer's total security deposit may be up to a maximum of \$1,000. This is determined by the classification rate assigned to the employer operations and the estimated eight months of payroll provided by the employer. The initial \$10 security deposit is applied to the total security deposit due, and the employer is billed the difference.

Coverage Exceptions

Workers' compensation is optional for ministers, officers of family farm corporations, sole proprietors and partners, and an individual incorporated as a corporation (with no employees). Elective coverage may be obtained by filing the appropriate form:

- U-3S Application for Elective Coverage (for use by sole proprietors/partners, ministers of a religious organization, officers of a family farm corporation, and owners/members of limited liability companies being treated as a sole proprietorship or partnership for income tax purposes)

Reportable Payroll

In June and December of each year, employers receive a Semiannual Payroll Report (DP-21) to report payroll for the prior six months. Reports, together with the premium payment, must be received prior to March 1 and Sept. 1. If the payroll form and premium are not received by those dates, coverage lapses and penalties will be assessed.

Ohio Business Gateway

The **Ohio Business Gateway** is a free, Web-based service that provides an electronic or “paperless” means of registering for and filing this tax (see **Ohio Business Gateway**, page 14).

Reporting a Claim

Employers follow these basic steps when a work-related injury occurs:

- they have the injured worker seek medical attention and ask the injured worker to inform the doctor it is a workers’ compensation claim;
- the injured worker should tell the doctor the name of the employer’s managed care organization (MCO) at the time of service; and
- the injured worker’s doctor is required to file the claim with the MCO or the bureau within 24 hours of treatment. Employers also may file a claim using the First Report of an Injury, Occupational Disease or Death (FROI) application.

Health Partnership Program

Under the Health Partnership Program (HPP) injured workers must visit a BWC-certified health-care provider for treatment, except in an emergency or for an initial visit. The health-care provider is required to report a workers’ compensation injury to the employer’s MCO or the bureau within 24 hours of treatment. Therefore, if an employer’s injured worker visited a doctor before telling the employer of the injury, the claim may already be filed.

Primary Forms Used

U-3 Application for Ohio Workers’ Compensation Coverage

U-3S Application for Elective Coverage
 DP-21 Semiannual Payroll Report
 U-117 Notification of Policy Update
 U-118 Notification of Business Acquisition/
 Merger or Purchase/Sale

Closing a Business

An employer who is closing their business must follow a four-step process with the BWC:

- submit a cancellation of coverage request to BWC (either through www.ohiobwc.com, the policy update section of the six-month payroll report, U-117, or a letter, etc.).
- report final payroll on the payroll report (payroll must be reported through the date of cancellation).
- if the employer was a corporation, provide to the bureau the corporate dissolution resolution required by R.C. 1701.86.
- pay any outstanding obligations.

The employer should also contact BWC directly at (800) OHIOBWC (or (800) 644-6292). The Customer Contact Center can assist with canceling coverage and issuing the final payroll report.

Informational Booklets and Brochures

CD-40 Workers’ Compensation Guide for Self-Insuring Employers and their Employees
 CD-50 Workers’ Compensation Guide for State-Fund Employers and their Employees

For Further Information

Ohio Bureau of Workers’ Compensation
 30 W. Spring Street
 Columbus, OH 43215-2256
Phone: (800) OHIOBWC (or (800) 644-6292)

III. Special Business Taxes



Admissions Taxes

In General

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. In calendar year 2005, the most recent year for which data is available, 66 municipalities (51 cities and 15 villages) reported that they levied an admissions tax.

Admissions are not subject to sales tax in Ohio.

Tax Paid By

Operators of movie theaters and other places of amusement for which there is an admission charge.

Base and Rates

Admission tax rates vary among municipalities from 1.5 percent to 8.0 percent. About 73 percent of rates in 2005 were at 3.0 percent.

For Further Information

For all specific information concerning local admission taxes, contact the city or village in which the activity is located.

Alcoholic Beverage Taxes

In General

Alcoholic beverages are subject to an excise tax. An additional tax is levied on alcoholic beverages in Cuyahoga County. Ohio law defines these beverages as beer, wine and bottled mixed beverages, and liquor. The tax on liquor is administered by the Ohio Department of Commerce.

The Cuyahoga County excise tax is levied against all wholesale distributors shipping beer and wine into Cuyahoga County for retail sale. These distributors must submit the appropriate returns to the Department of Taxation for the county tax.

Beer:

An excise tax is levied on the sale or distribution of beer in Ohio whether in bottles, cans,

or barrels. The tax is paid by the manufacturer or the importer of the beverages into Ohio. Various permits are required for the sale, distribution, and manufacture of these beverages in Ohio.

Wine and Bottled Mixed Beverages:

An excise tax is levied on the sale or distribution of wine and bottled mixed beverages. The tax on wine depends on its alcoholic content and type of wine. Various permits are required for the sale, distribution, and manufacture of wine and mixed beverages in Ohio.

Effective Oct. 1, 2007, wine manufacturers either in or outside Ohio that produce less than 150,000 gallons annually are required to obtain a special permit in order to ship directly to Ohio consumers. These manufacturers must collect and remit the applicable taxes. The legislation also created a second special permit for these same manufacturers to enable them to sell wine to a retail permit holder. Consumers are required to pay excise and use taxes on these shipments.

Liquor:

There is also a separate tax on liquor (beverages with alcohol content over 21 percent) in the state and in Cuyahoga County.

This tax is administered by the Division of Liquor Control, Ohio Department of Commerce.

Tax Paid By

Beer:

Manufacturers, importers, or wholesale distributors of beer and malt beverages shipped into Ohio.

Wine and Bottled Mixed Beverages:

Manufacturers, importers, or wholesale distributors of wine or mixed beverages in Ohio, or any other person selling or distributing wine or mixed beverages into Ohio.

Base and Rates

The rates of the taxes imposed on beer, wine, and mixed beverages are as follows —

Beer:

Barrel (31 gallons)	\$5.58
Containers (over 12 oz.)	0.84 cent per 6 ounces
Containers (12 oz. or less)	0.14 cent per ounce

Wine and Mixed Beverages:

Wine (less than 14 percent alcoholic content by volume)	32 cents per gallon
Wine (14 percent to 21 percent alcoholic content by volume)	\$1.00 per gallon
Vermouth	\$1.10 per gallon
Bottled Mixed Beverages (cocktails, cordials, etc.)	\$1.20 per gallon
Sparkling and Carbonated Wine and Champagne	\$1.50 per gallon
Cider (0.5 percent to 6.0 percent alcoholic content by volume)	24 cents per gallon

Cuyahoga County:

All wholesale distributors shipping beer or wine into Cuyahoga County pay an additional tax of 16 cents per gallon on beer, 24 cents per gallon on cider, and 32 cents per gallon on all types of wine and mixed beverages.

Credits

Licensed brewers of beer in Ohio with total production (wherever produced) under 31 million gallons a year receive a credit against their excise tax for the following year on a maximum of 9.3 million gallons of beer distributed in Ohio.

Licensed wine producers in Ohio with total production (wherever produced) under 500,000 gallons a year receive an excise tax exemption the following year and a refund of any excise tax paid.

Filing Procedures

New Businesses (Permits Required) —

Beer:

Manufacturers wholesalers, and retailers in Ohio or selling into Ohio must apply for permits with the Ohio Department of Commerce, Division of Liquor Control, whether or not they are subject to the excise tax.

The permit fees vary depending on the type of permit obtained.

Wine and Mixed Beverages:

Manufacturers, wholesalers, and retailers of wine in Ohio or selling into Ohio must apply for permits from the Division of Liquor Control and pay permit fees.

All Businesses Subject to the Excise Tax (Tax Returns Required) —

Beer:

An advance payment (ALC 84) is due by the 18th day of the current month. The amount due is the estimated liability for the month in which the payment is made. A monthly return (ALC 83) is due by the 10th day of the following month. A 3.0 percent credit is allowed on advance payments and on 10 percent of the advance payment or

on 10 percent of the monthly payments remaining after the advance payment is deducted (if the advance payment is on time).

Wine and Mixed Beverages:

A monthly return (ALC 36) is due by the 18th day of each

month for liability in the preceding month. A 3.0 percent credit is allowed if payment of tax is made in full by this date.

Cuyahoga County:

A monthly return for beer (ALC 200) and a monthly return for wine and mixed beverages (ALC 210) are due by the end of the month following the reporting period. A 2.5 percent discount is given if the returns are filed and the tax paid by the due date.



Primary Forms Used

ALC 36	Ohio Wine and Mixed Beverage Return
ALC 36B	Sacramental or Military Wine Sales
ALC 36C	Schedule C (for interstate wine/mixed beverage sales)
ALC 36E	E Permit Holder's Wine, Mixed Beverage and Beer Tax Return
ALC 83	Ohio Beer and Malt Beverage Tax Return
ALC 200	Cuyahoga County Beer and Malt

Beverage Tax Return
ALC 210 Cuyahoga County Wine and Mixed
Beverage Tax Return
Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is closing must indicate on the last monthly return it files that the return is a final return. However, the liquor permit of the business will remain active. This means that the tax account also remains active, as long as the liquor permit is in an active status. The business owner must contact the Ohio Department of Commerce, Division of Liquor Control, to ensure the proper procedures are followed for disposition of the liquor permit.

For Further Information

Ohio Department of Taxation
Excise Tax
P.O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7026
Fax: (614) 752-8644

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

For Further Information Regarding Permits or Liquor Tax

Ohio Department of Commerce
Division of Liquor Control
6606 Tussing Road
Reynoldsburg, OH 43068-9005
Phone: (614) 644-2360

Cigarette/Other Tobacco Products Excise Taxes

In General

Cigarettes and other tobacco products are subject to an excise tax. An additional tax is levied on cigarettes sold in Cuyahoga County. The tax is paid through the purchase of stamps

that are affixed, prior to sale, to packs of cigarettes and to packages of other tobacco products.

Tax Paid By

Wholesale dealers of cigarettes and other tobacco products, retail dealers that receive untaxed cigarettes or other tobacco products, manufacturers who sell to retail dealers, and consumers who have cigarettes in their possession on which the excise tax has not been paid.

Legislation enacted in 2005 requires that all cigarettes purchased at retail in Ohio be purchased "face-to-face." That law makes it a crime punishable by a fine of up to \$1,000 per incident for someone who purchases cigarettes from the Internet or otherwise does not buy them "face-to-face." Consumers are required to pay excise and use taxes on cigarettes purchased from out-of-state sources.

Base and Rates

An excise tax of \$1.25 (6.25 cents per cigarette) is levied on each standard pack of 20 cigarettes sold, used, consumed, or stored for consumption in Ohio. A discount of 1.8 percent of the face value of the tax stamps or meter impressions is allowed as compensation for affixing and canceling such stamps or meter impressions. Other tobacco products are taxed at 17 percent of their wholesale price. A 2.5 percent discount is given for timely payment.

For cigarettes sold in Cuyahoga County, there is an additional tax of 34.5 cents per pack. An additional tax was first enacted in 1990 at a rate of 0.225 cent(s) per cigarette (4.5 cents per pack of 20). County legislation enacted in 2006 increased this by 1.5 cents per cigarette, or 30 cents per pack of 20. The total rate of 34.5 cents per pack was effective as of Feb. 1, 2007. Taxpayers purchasing stamps for use in Cuyahoga County receive the 1.8 percent discount.

Filing Procedures

New Dealers:

New wholesale and retail dealers must file an application for a dealer's license (CIG 40 for retailers and CIG 41 for wholesalers) with the county auditor of the county where the busi-

ness will be located. Payment of \$200 for each wholesale place of business and \$30 each for the first five retail places of business in each county and \$25 for each retail place of business over five is required before the license will be issued. Retail licenses are valid only in the county where issued.

New wholesale/retail dealers of other tobacco products must file an application with the state (OTP 1). The fee is \$100. The form must be renewed every Feb. 1.

All Dealers:

Wholesale and retail dealers' licenses must be renewed (CIG 40 for retailers and CIG 41 for wholesalers) and fees paid (described above) on or before the fourth Monday of May. Semi-annual returns (CIG 58) showing the cigarette sales and stamp or meter impression purchases for the previous six months and the beginning and ending inventories for the period are due by Jan. 31 and July 31. The dealer pays any tax deficiency shown on the return with the tax return.

Dealers bringing cigarettes into Ohio must file a report form (CIG 59) by the 15th of each month indicating the quantity of unstamped cigarettes received the previous month. Returns (CIG 57) by consumers for the use, storage, or other consumption of cigarettes on which the tax has not been paid must also be filed by the 15th of each month for the previous month. The returns must show the tax due and be accompanied by payment of the tax.

Other tobacco products wholesale or retail dealers file returns (OTP 2 for in-state wholesale/retail dealers and OTP 6 for out-of-state wholesalers) by the end of the month for the previous month's liability.

Primary Forms Used

CIG 40	Application for Retail Dealer's License (available from county)
CIG 41	Application for Wholesale Dealer's License (available from county)
CIG 57	Ohio Cigarette Consumer's Use Tax Return
CIG 58	Ohio Cigarette Tax Return
CIG 59	Dealer's Monthly Report of Unstamped Cigarettes Received in Ohio
OTP 1	Application for Other Tobacco Products

	Distributor License
OTP 2	Other Tobacco Products Tax Return
OTP 6	Other Tobacco Products Out-of-State Distributor Tax Return
MSA 60	Master Settlement Agreement Reporting Form

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

Dealers must indicate on their final monthly or semiannual return that the return is a final return. Cigarette dealers are subject to a final inventory of both tax stamps and cigarettes. Any unused stamps must be returned to the Ohio Treasurer of State, and the dealer will be issued a refund for the unused stamps after the final return has been received and, if necessary, audited. Cigarette wholesalers are also required to file a final tobacco Master Settlement Agreement 60 report (which details the quantity of cigarettes and roll-your-own tobacco sold within a monthly period, by brand). Distributors of other tobacco products are also required to file a final MSA 60 report.

For Further Information

Ohio Department of Taxation
Excise Tax
P. O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7026
Fax: (614) 752-8644

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select "Contact Us")

Dealers in Intangibles Tax

In General

Dealers in intangibles are subject to an 8-mill (0.8 percent) tax.

This tax is in lieu of all other taxes on the property and assets of the firm except property taxes on real estate and personal property leased or held for the purpose of leasing to others.

Tax Paid By

Companies (sole proprietors, partnerships, associations, or corporations) with an office in Ohio are defined as “dealers in intangibles” if they are primarily in the business of: (a) lending money; (b) discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or evidence of indebtedness; or (c) buying or selling bonds, stocks, or other investment securities. Institutions used exclusively for charitable purposes, insurance companies, and financial institutions do not pay this tax.

Base and Rates

The tax is 8.0 mills (0.8 percent) on the fair value of the Ohio proportion of a dealer's shares or capital employed.

A dealer that is incorporated pays the tax on the shares held by its stockholders.

An unincorporated dealer pays the tax either on its capital stock divided into shares that are held by the owners; or, if its capital stock is not divided into shares, then it pays on its capital employed in Ohio.

Credit

Beginning in taxable year 2006, qualifying dealers can claim a venture capital credit against their dealers in intangibles tax due.

Filing Procedures

Dealers in intangibles in business as of Jan. 1 must file a tax return (TPP 980) with the Department of Taxation by the second Monday in March of that year. If the company has offices in more than one county, an additional return (TPP 982 Schedule A) must also be filed. No payment is required with the tax return. The tax is certified to the Treasurer of State by the first Monday of May.

Within 20 days, the Treasurer of State issues a tax bill with payment due 30 days from the date the tax bill is mailed.

Primary Forms Used

TPP 980	Dealer in Intangibles Tax Return Booklet
TPP 982A	Schedule A-Allocation of Gross Receipts (Dealer in Intangibles)
TPP 984	Analysis of Investment Account

(Dealer in Intangibles)

Find forms at tax.ohio.gov or call (800) 282-1782.)

Closing a Business

A business that qualifies as a dealer in intangibles must file a return when it is in business on its tax listing date and the following Jan. 1, which is the lien date for all taxpayers. Any business that closes prior to its listing date for a particular tax year (Dec. 31 for calendar year-end taxpayers and the fiscal year-end date for fiscal year-end taxpayers) and prior to Jan. 1 of the next calendar year does not need to file a return for the tax year in which it closes its business. However, any business that closes prior to filing its tax return for the last year that it was in business, that includes a listing date and lien date, must still file that tax return.

For Further Information

Ohio Department of Taxation
Tangible Personal Property Tax
P.O. Box 530
Columbus, OH 43216-0530
Phone: (614) 644-8122, or (888) OHIO-PPT (888-644-6778; Tangible Personal Property Tax Division)

Or:

- Any Taxpayer Service Center (see listing at the end of this publication)
- E-mail us from tax.ohio.gov (select “Contact Us”)

Horse Racing Tax

In General

Groups conducting horse races must obtain a permit for such an activity. Taxes must be paid on the amount wagered on horse races.

Tax Paid By

Every person, association, corporation, or trust conducting meetings where pari-mutuel wagering on horse racing is permitted.

Base and Rates

Pari-Mutuel Wagering:



Amount	Rate
Wagered Daily	
First \$200,000	1.0%
Next \$100,000	2.0%
Next \$100,000	3.0%
Over \$400,000	4.0%

Exotic Wagering:

3.0 percent of the amount wagered daily on pools other than win, place, or show.

Closing a Business

A horse racing taxpayer must indicate that it is filing a final return. The Ohio State Racing Commission will not release the cash bond secured to obtain a racing permit until all taxes are paid.

For Information Concerning Racing Permits

Ohio State Racing Commission
77 S. High Street, 18th Floor
Columbus, OH 43266-0416
Phone: (614) 466-2757

For Information Concerning Taxes

Ohio Department of Taxation
Excise Tax
P. O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7026
Fax: (614) 752-8644

Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

Insurance Company Taxes

In General

The state imposes taxes on both domestic (companies organized under Ohio law) and foreign (companies organized under the laws of other states or nations) insurance companies doing business in Ohio. Although insurance agents and solicitors must obtain a license, no special taxes apply to these individuals.

Tax Paid By

Domestic and foreign insurance companies engaging in any type of insurance business in Ohio. The return to be filed is based on the type of insurer filing.

Base and Rates

Domestic Companies:

The rate is 1.4 percent of gross premiums. Health-insuring corporations are taxed at 1.0 percent. The minimum tax before credits for domestic insurers is \$250.

Foreign Companies:

The tax due is 1.4 percent of the gross amount of premiums from policies for Ohio risks during the preceding calendar year less specified deductions, or retaliatory rates if they apply. Health-insuring corporations are taxed at 1.0 percent. The minimum tax before credits for foreign insurers is \$250.

An additional tax of 0.75 percent of fire insurance gross premiums is due from both foreign and domestic companies, subject to retaliatory provisions.

Credits

The following credits are allowed against insurance company tax liability:

- credit under Ohio Revised Code section 5729.031 for a foreign or domestic insurance company or insurance group doing business in Ohio; the calculation of this credit is as follows:
 - (a) subtract the total dollar amount of all premiums sold, or for a health insuring corporation all premium rate pay-

- ments received, in all states, by the company from \$75 million;
- (b) divide the difference obtained in (a) by \$75 million;
- (c) multiply the quotient obtained in (b) by 200,000.
- credit for eligible employee training costs for which a tax credit certificate is issued under Ohio Revised Code section 5729.07.
- credit under Ohio Revised Code section 5729.08 issued by the Ohio Venture Capital Authority under Ohio Revised Code section 150.07.
- assessments by the Ohio Life and Health Insurance Guaranty Association (which life and health insurers must be members of as a condition of transacting business in Ohio) can be credited under Ohio Revised Code section 3956.20 as shown on the certificate of contribution.
- credit for Ohio job creation under Ohio Revised Code section 5729.032.

Closing a Business

The Ohio Department of Insurance requires any company subject to the tax that goes out of business to file a final return by the normal due date of March 1 of the following year.

For Further Information Concerning Regulations and Taxes

Ohio Department of Insurance
2100 Stella Court
Columbus, OH 43215-1067
Phone: (614) 644-2566 or e-mail at taxes@ins.state.oh.us

Kilowatt-Hour Tax

In General

The kilowatt-hour tax, and its companion self-assessor option tax, was enacted in 2001 to replace the public utility excise tax on electric and rural electric companies. It also is intended to replace the revenue lost from the reduction in assessment rates on the tangible

personal property of electric and rural electric companies.

The kilowatt-hour tax is levied on electric distribution companies with end-users in Ohio. It is based on a declining three-tiered block of the monthly kilowatt-hour consumption of each individual end-user of electricity. For certain large consumers of electricity, there exists a self-assessor option tax. This tax is partially based on price and partially based on consumption. Companies that previously provided both electric and natural gas (or other utility) service must separate out the electric operations from the other services they provide.

Tax Paid By

Electricity distribution companies are responsible for the kilowatt-hour tax. Those large consumers that opt to self-assess are responsible for remitting the self-assessor option tax.

Base and Rates

The kilowatt-hour tax is based on the quantity of electricity distributed to end-users on a monthly basis. The tax is based on a declining three-tiered block of consumption:

Monthly Kilowatt-Hours

Distributed to the End-User	Rate per kWh
0 – 2,000 kWh	\$0.00465
2,001 – 15,000 kWh	\$0.00419
Over 15,001 kWh	\$0.00363

For large consumers of electricity (above 45 million kilowatt-hours of annual consumption), the base is partially on the total price per month and the number of kilowatt-hours distributed to them per month. The consumption portion of this tax is capped at the first 504 million kilowatt-hours distributed to the end-user annually. The rate is the sum of: (a) 4.0 percent of the total monthly price (effective July 1, 2008, this rate falls to 3.5 percent); plus (b) 0.75 mill on the first 504 million kilowatt-hours of annual consumption.

Filing Procedures

For kilowatt-hour and the self-assessor option taxes, the filing date is the 20th day of each month. The payment will reflect the amount of electricity (and price paid for self-assessors)

distributed to the end-user during the previous month.

Primary Forms Used

KWH 2	Electric Distribution Company Tax Return
KWH 2A	Electric Distribution Company Schedule of Self-Assessing Purchasers
KWH 3	Application for Self-Assessing Purchaser
KWH 4	Self-Assessing Purchaser Tax Return

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A utility that is subject to the kilowatt-hour tax and ceases operations is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation
Excise Tax
P.O. Box 530
Columbus, OH 43216-0530

Phone: (614) 466-7026

Fax: (614) 752-8644

Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

Lodging Excise Taxes

In General

Municipalities, townships, counties, and convention facilities authorities may levy a tax on charges for rooms in hotels, motels, rooming houses, etc. The total combined rate is limited to 6.0 percent by state law with certain exceptions.

Tax Paid By

Operators of hotels, motels, rooming houses, and other businesses providing lodging for transient guests.

Base and Rates

The tax may be levied by counties, municipalities, townships, and convention facilities

authorities on charges for lodging of transient guests at a combined rate not to exceed 6.0 percent. However, the Ohio General Assembly has authorized various special lodging tax levies. Several are in effect throughout the state, bringing the maximum combined rate to 11 percent in one location (Monclova Township, Lucas County). As of calendar year 2005, the most recent year for which data is available, eight counties had rates above 6.0 percent. They are: Cuyahoga (7.5 percent), Fairfield (7.5 percent), Franklin (10 percent), Guernsey (9.0 percent), Hamilton (10.5 percent), Lucas (10 percent), Muskingum (8.0 percent), and Summit (7.5 percent).

In calendar year 2005, 60 counties, 166 municipalities (129 cities and 37 villages), and 125 townships reported levying a lodging tax. About 81 percent of the rates were at 3.0 percent.

For Further Information

For specific information concerning lodging excise taxes, contact the county, city, village, or township where the hotel, motel, or rooming house is located.

Manufactured Home Tax

In General

Manufactured or mobile homes used in business are taxed as tangible personal property. Such homes not used in business are subject to a specific tax based on the assessed value of the property, which is paid by the owner of the home. Although not liable for the tax, operators of manufactured home courts or parks are required to keep a register of all manufactured or mobile homes located in the courts or parks. Homes leased or rented and used as residences are subject to the manufactured home tax and not the tangible personal property tax.

Tax Paid By

Owners of manufactured or mobile homes, unless specifically exempt.

Base and Rates

Manufactured or mobile homes used as residences are taxed as follows:

- If situated in Ohio prior to Jan. 1, 2000, the assessed value of a manufactured or mobile home is 40 percent of the amount derived by multiplying the greater of either the home's cost or market value at the time of purchase by a depreciation percentage (from one of two different schedules).
- If a home is first situated in Ohio or has ownership transferred on or after Jan. 1, 2000, it is assessed at 35 percent of true value (like real property). This also applies to homes located in Ohio before Jan. 1, 2000, if the owner makes an election to have the home taxed like real property.
- 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.

Filing Procedures

Owners of Manufactured or Mobile Homes:

No return is required but the home must be registered by filing DTE 41 with the county auditor within 30 days after acquisition or entering the county. If the home is located in the state on Jan. 1, the first half-year tax is due by March 1 and the balance is due by July 31. If the home first acquires situs in Ohio after Jan. 1, no tax is due for that year.

Operators of Manufactured Home Courts:

Operators of manufactured home courts or parks and owners of property used for such purposes (where there is no operator), on which three or more manufactured or mobile homes are located, must keep a register of all-manufactured or mobile homes in their courts.

These registers must include:

- the name of the owner and all inhabitants of each home.
- the ages of all inhabitants.
- the temporary and permanent address of all inhabitants.
- the license number of all homes and the state issuing those licenses.
- the arrival and departure dates of each home.

The register must be kept open for inspection by agents of the county auditor, county treasurer, and all law enforcement officials.

Closing a Business

Operators of manufactured home courts or parks or any manufactured or mobile home used in business other than as a residence are subject to the tangible personal property tax. When such a business closes, it must file a tangible personal property tax return when it is in business on its tax listing date and the following Jan. 1, which is the lien date for all taxpayers. Any business that closes prior to its listing date for a particular tax year (Dec. 31 for calendar year-end taxpayers and the fiscal year-end date for fiscal year-end taxpayers) and prior to Jan. 1 of the next calendar year does not need to file a return for the tax year in which it closes its business. However, any business that closes prior to filing its tax return for the last year that it was in business, that includes a listing date and lien date, must still file that tax return.

Tangible personal property taxpayers that are incorporated must also complete ODT D5, Notification of Dissolution or Surrender, and file it with the department (this form is available under "Tax Forms" on the department's Web site at tax.ohio.gov).

For owners of manufactured homes used for residential purposes, any due and unpaid manufactured home taxes become a lien on the first day of January of the tax year in question and will continue until those taxes, including any penalties or interest accruing thereon, are paid.

For Further Information

County auditor where the manufactured or mobile home or manufactured home court or park is located.

Manufactured Home Transfer Tax

In General

Sellers of used manufactured or mobile homes must pay a fee to the county auditor of 0.1 percent of the value of the property sold or transferred. Counties may also levy an additional fee on such transfers.

Tax Paid By

Owners of manufactured or mobile homes selling or transferring the property to others. The tax is paid to the auditor of the county in which the home is located at the time of delivery of the certificate of title.

Base and Rates

The transfer tax is levied on the face value (either the selling price or estimated selling price) of the property. The statewide rate, the revenue from which goes to the county where the property is sold, is 0.1 percent (one dollar per thousand dollars of value). A county may also impose an additional permissive levy of up to 0.3 percent (up to three dollars per thousand dollars of value). This county rate must equal the permissive real property transfer tax rate in the county. A county may also prescribe a lower permissive transfer tax rate for the transfer of a certificate of title conveying a dwelling for which the seller or grantor had received a reduction in assessable value based on age or disability.

Filing Procedures

Before a certificate of title can be transferred, the buyer or grantee must file with the county auditor either DTE 100M with payment of the transfer tax, or DTE 100M(EX), stating the reason for exemption from the tax. Forms are available from the county auditor.

Closing a Business

No particular steps are required when closing a business. However, if a certificate of title to property in the business is issued to transfer the title into a new name, either the taxable or exempt form must be filed.

For Further Information

County auditor where the property is located.

Motor Fuel Use Tax

In General

Owners or lessees of trucks, truck-trailers, and tractor-trailers in excess of 26,000 pounds gross vehicle weight that use the public highways of Ohio are required to pay excise taxes equivalent to the amount of the state motor fuel tax on fuel consumed in Ohio or pay an excise tax (equal to the state motor fuel tax rate) on the difference between the amount of fuel purchased in Ohio and the amount of fuel consumed in Ohio.

Permits Required For

Trucks with three or more axles, commercial tractors with two or more axles, and two-axle trucks which have a gross vehicle weight exceeding 26,000 pounds are required to have fuel use tax permits. The permit, which is the International Fuel Tax Agreement (IFTA) license, may be acquired by the owner, lessee, or lessor. There is no fee for the permits or license.

Tax Paid By

IFTA permit holders.

Base and Rates

A tax is levied on all gallons of fuel consumed on Ohio's highways equal to the regular motor vehicle fuel rate in effect during the period. The current motor fuel use tax rate is 28 cents per gallon. The tax is imposed on all loaded and unloaded miles including those traveled on the Ohio Turnpike. Tax due may be offset by purchasing tax-paid fuel in Ohio.

Filing Procedures

IFTA tax returns are filed for the calendar quarter and are due the last day of the month following the end of the quarter. Payment of the tax due for the previous period must accompany the return. An IFTA return includes all IFTA member jurisdictions.

Primary Forms Used

OH1F 1	IFTA Permit Application
OH1F 5D	IFTA Diesel Fuel Schedule (IFTA tax return)
D5	Notification of Dissolution or Surrender

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A fuel use permit holder that goes out of business is required to file a final return. Failure to do so will result in the account being revoked.

Those fuel use taxpayers that are incorporated are also required to complete ODT D5, Notification of Dissolution or Surrender, and file it with the department (this form is available under "Tax Forms" on the department's Web site at tax.ohio.gov).

For Further Information

Ohio Department of Taxation
Fuel Use Tax
P. O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-3410
Fax: (614) 752-8644
Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

Motor Vehicle Fuel Tax

In General

Wholesale fuel dealers and refiners who sell motor vehicle fuel to retailers or consumers in Ohio must pay an excise tax of 28 cents per gallon. These companies must be licensed by the Department of Taxation.

Tax Paid By

Motor vehicle fuel dealers who sell, use, or distribute motor vehicle fuel within the state. Motor fuel dealers include persons that:

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

Base and Rates

The rate is 28 cents per gallon of motor vehicle fuel sold, used, or distributed.

Exemptions from the motor vehicle fuel tax include:

- the sale of dyed diesel fuel from a location other than a retail service station.
- the sale of K-1 (water clear) kerosene to a retail service station, except when placed directly in the fuel supply tank of a motor vehicle.
- the sale of motor fuel to another licensed motor fuel dealer.
- the exportation of motor fuel to another state or foreign country.
- the sale of motor fuel to the U.S. government or its agencies.
- the sale of motor fuel which is in the process of transportation in foreign or interstate commerce.
- the sale of motor fuel when sold exclusively for use in the operation of aircraft.
- school districts, joint vocational schools, county mental retardation and developmental disability (MRDD) boards, and educational

service centers on the tax over 22 cents per gallon.

Filing Procedures

New Dealers:

Wholesale dealers and refiners of motor vehicle fuel must file an application (MF 201) for a motor vehicle fuel dealer's license. This application is filed with the Ohio Department of Taxation, and a bond of at least \$5,000 (amount is determined by the dealer's average three-month liability) is required for a dealer's license.

All Dealers:

By the last day of each month, each dealer must file a report (MF 2) indicating the number of gallons of motor fuel subject to tax during



the preceding month. Payment of the tax must be included with these reports.

Effective July 1, 2007, the discount to motor fuel dealers for timely filed returns and timely tax payment is 0.9 percent.

Carriers/Transporters:

Companies that transport fuel to points within Ohio must file reports (CC 2) with the Department of Taxation by the 30th day of each month showing the fuel delivered in Ohio for the previous month.

Exporters:

Companies that export fuel from Ohio must file a monthly report on or before the last day of the month for the liability of the previous

month (EX 2) that accounts for their receipts and disbursements.

Primary Forms Used

MF 201	Application for License as a Motor Fuel Dealer
MF 203	Application for License as a Retail Motor Fuel Dealer
MF 2	Licensed Dealer's Monthly Ohio Motor Fuel Tax Report
CC 2	Monthly Common and Contract Petroleum Products Carrier Report
EX 2	Monthly Exporter's Report of Receipts and Disbursements

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A wholesale fuel dealer or refiner subject to the motor fuel tax that goes out of business is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation
Motor Fuel Tax
P. O. Box 530
Columbus, OH 43216-0530

Phone: (614) 466-3503

Fax: (614) 752-8644

Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

Natural Gas Consumption Tax

In General

The natural gas consumption tax became effective July 1, 2001. The tax is applied to distributors of natural gas and is based upon a declining three-tiered schedule of consumption by the distributor's end-users. For certain large end-users of natural gas (known as flex customers), the tax is based on a flat rate.

Tax Paid By

Natural gas distribution companies.

Base and Rates

All commercial, industrial, and residential consumers of natural gas are taxed on their actual usage, as measured in increments of one thousand cubic feet (Mcf).

Mcf Distributed Monthly to an End-User	Rate per Mcf
0 – 100 Mcf	\$0.1593
101 – 2,000 Mcf	\$0.0877
Over 2,001 Mcf	\$0.0411
Flex Customer	\$0.02

Filing Procedures

Natural gas distribution companies are required to collect and remit the tax. The tax is remitted on the 20th day of February, May, August, and November and applies to activity during the preceding calendar quarter.

Primary Forms Used

MCF 1 Application for Natural Gas Distribution Company
 MCF 2 Natural Gas Company Tax Return
 Find forms at tax.ohio.gov or call (800) 282-1782.)

Closing a Business

A distribution company that is subject to the natural gas tax and goes out of business is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation
 Excise Tax
 P.O. Box 530
 Columbus, OH 43216-0530
Phone: (614) 466-7026
Fax: (614) 752-8644

Or:

- E-mail us from tax.ohio.gov (select “Contact Us”)

Public Utility Excise Tax

In General

Many public utilities in Ohio must file gross receipts excise tax returns with the Department of Taxation. Generally, these companies also

fall under the jurisdiction of, and are regulated by, the Public Utilities Commission of Ohio.

Tax Paid By

The excise tax is levied on the gross receipts of intrastate business activity of certain utility classes. The excise tax is in lieu of the corporation franchise tax and commercial activity tax (CAT) for those classes.

Utility classes subject to the tax are:

- telegraph;
- natural gas;¹
- pipeline;
- water works;
- water transportation; and
- heating.

Other utility classes in Ohio fall under a different tax structure. Electric, telephone, railroad, rural electric, and inter-exchange telecommunications companies are not subject to the public utility gross receipts excise tax, but instead are liable for the corporation franchise tax and also the CAT; the CAT is being phased in while the corporation franchise tax is being phased out. Electric and rural electric companies are also subject to the kilowatt-hour tax.

Base and Rates

All eligible utility classes are taxed on gross receipts from intrastate business. The tax rate is 4.75 percent for all classes except pipelines, which are assessed at a tax rate of 6.75 percent. There is a minimum tax of \$50.

The following credits are allowed against excise tax liability:

- qualifying natural gas companies may receive a quarterly credit for overpayments of estimated tax between October 1999 and June 2000; the credit expires when the payments have been made up or in 15 years.
- natural gas companies only can receive a venture capital credit.

Filing Procedures

All public utilities subject to the excise tax

¹ Natural gas companies are subject to a separate consumption-based gross excise tax in addition to the public utility gross receipts excise tax.

(except natural gas companies), whose tax liability the previous year was in excess of \$1,000, must make payments equal to one-third of the previous year's liability on Oct. 15, March 1, and June 1. The 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 is equal to or exceeds \$325,000 must pay quarterly on the 45th day following the last day of March, June, September, and December. Natural gas companies whose annual liability is less than \$325,000 must pay annually in February.

Closing a Business

A public utility taxpayer that ceases operations is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation
Public Utilities
P. O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7371

Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

For Utility Questions Unrelated To Taxation

Public Utilities Commission of Ohio
Utilities Department
180 East Broad St.
Columbus, OH 43215-3793
Phone: (614) 466-3705
Web site: www.puc.state.oh.us

Public Utility Property Tax

In General

All companies that are defined as public utilities, or (starting Jan. 1, 2009) public utility lessors under Ohio Revised Code section 5727.01, must file property tax returns with the

Department of Taxation. Recently-enacted tax reform measures made several changes to this tax (see **Changes in Public Utility Property Tax Due to 2005 Tax Reform**, on page 64).

Tax Paid By

Public utilities in Ohio fall under one of the following classifications:

- electric;
- telephone;
- inter-exchange telecommunications companies;
- telegraph;
- natural gas;
- pipeline;
- railroad;
- water works;
- water transportation;
- rural electric;
- heating.

An ad valorem tax (tax on a proportion of the value) is levied on the tangible personal property of all public utility classes. For railroads, the tax is levied on real property as well.

Base and Rates

The taxable value of real property (land and buildings) is 35 percent of true market value.

The table on the following page lists the tangible personal property tax assessment rates, by utility type, for tax years 2005 through 2010. (**Note:** The changes occurring to the tax during these years are highlighted in **Changes in Public Utility Property Tax Due to 2005 Tax Reform**, on page 64.)

Type of Utility	Assessment Rates For Tax Year					
	2005	2006	2007	2008	2009	2010
Electric companies - production property	25%	24%	24%	24%	24%	24%
Electric companies - transmission and distribution property	88%	85%	85%	85%	85%	85%
Electric companies - all other property	25%	24%	24%	24%	24%	24%
Rural electric - transmission and distribution personal property	50% for all years					
Rural electric companies - all other property	25% for all years					
Natural gas companies	25% for all years					
Railroads -real property only	35% for all years					
Railroads -personal property only	25%	18.75%	12.5%	6.25%	0%	0%
Inter-exchange telecommunications companies	25%	25%	20%	15%	10%	5%
Telephone companies (only added in tax year 1995 and thereafter)	25%	25%	20%	15%	10%	5%
All other existing telephone company property (prior to 1995)	67%	46%	20%	15%	10%	5%
Heating, pipeline, and waterworks companies	88% for all years					
Water transportation companies	25% for all years					



Changes in Public Utility Property Tax Due to 2005 Tax Reform

Several changes to the public utility property tax were enacted in 2005. These changes are summarized below:

- Beginning Jan. 1, 2006, the taxable personal property of an electric company includes the cost of patterns, jigs, dies, and drawings.
- Beginning Jan. 1, 2006, the assessment percentage on electric transmission and distribution personal property is 85 percent and the assessment percentage on electric production personal property is 24 percent, but rural electric companies remain at 25 percent.
- Beginning Jan. 1, 2006, the tax on railroad personal property will be phased out over three years. The assessment rate is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008, and 0.0 percent for 2009 and thereafter.
- Beginning Jan. 1, 2006, railroad real property not used in operations is valued and assessed by the county auditor.
- Beginning Jan. 1, 2007, the tax on telephone company and inter-exchange telecommunications company tangible personal property is phased out over four years according to the following schedule: an assessment rate of 20 percent for 2007, 15 percent for 2008, 10 percent for 2009, 5.0 percent for 2010, and 0.0 percent for 2011 and thereafter.
- Beginning Jan. 1, 2009, persons that lease tangible personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing tangible personal property as required on returns of the public utility property tax.
- Beginning Jan. 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 tangible personal property used to supply electricity to others as required on returns of the public utility property tax.

Filing Procedures

At least one-half of the total tax liability is due on Dec. 31. The remaining balance is due June 20. Payment is made to the county treasurer.

All telephone and inter-exchange telecommunications companies will use the same allowances and other valuation procedures – as prescribed by the tax commissioner for such property in tax year 2006 – in tax year 2007 and subsequent tax years, and be listed and assessed in accordance with Ohio Revised Code chapter 5711. Taxable values of telephone and inter-exchange telecommunications companies will continue to be apportioned as specified in Ohio Revised Code chapter 5727.

Extensions of time to collect the tax are automatically granted to counties for 30 days. The Tax Commissioner may grant further extensions of the due date upon application by a county auditor and county treasurer.

Closing a Business

A public utility taxpayer that ceases business must file a return when it is in business on its tax listing date and the following Jan. 1, which is the lien date for all taxpayers. Any business that closes prior to its listing date for a particular tax year (Dec. 31 for calendar year-end taxpayers and the fiscal year-end date for fiscal year-end taxpayers) and prior to Jan. 1 of the next calendar year does not need to file a return for the tax year in which it closes its business. However, any business that closes prior to filing its tax return for the last year that it was in business, that includes a listing date and lien date, must still file that tax return.

For Further Information

Ohio Department of Taxation
Public Utilities
P. O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7371

Or:

- E-mail us from **tax.ohio.gov** (select "Contact Us")

For Utility Questions Unrelated To Taxation

Public Utilities Commission of Ohio
Utilities Department
180 East Broad St.
Columbus, OH 43215-3793
Phone: (614) 466-3705
Web site: **www.puc.state.oh.us**

Replacement Tire Fee

In General

Any replacement tire sold at the wholesale level in the State of Ohio or any imported, un-taxed replacement tire sold at retail is subject to this fee. The fee applies to new tires with rims of 13 inches or more, designed for use on a motor vehicle, and sold as a replacement tire. Tires that are used, retreaded, or tires on new motor vehicles are not subject to the fee. The rate of the fee is \$1 per tire.

Tax Paid By

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

Filing Procedures

New Businesses:

Wholesale distributors or retail importers of replacement tires must register with the Department of Taxation (using TR 1).

All Businesses:

Reports and payments must be filed by the 20th day of each month for the liability of the previous month.

Primary Forms Used

TR 1 Application for Tire Distributor License

TR 2 Ohio Tire Fee Return

Find forms at **tax.ohio.gov** or call (800) 282-1782.)

Closing a Business

A business that is subject to the replacement tire fee and closes is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation
Excise Tax
P.O. Box 530
Columbus, OH 43216-0530
Phone: (614) 466-7026
Fax: (614) 752-8644

Or:

- E-mail us from **tax.ohio.gov** (select "Contact Us")

Severance Tax

In General

Businesses which remove selected natural resources from the soil or water of the state must pay an excise tax. The tax is based on the weight or volume of the natural resource removed, and varies depending on the type of resource.

Tax Paid By

Businesses which remove coal, salt, limestone, dolomite, sand, gravel, oil, clay, sandstone, shale, conglomerate, gypsum, quartzite, or natural gas from the soil or water of Ohio.

Base and Rates

Resource	Tax Rate
Coal	10 cents per ton ¹
Salt	4.0 cents per ton
Limestone or dolomite	2.0 cents per ton
Sand and gravel	2.0 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per

¹ Effective April 1, 2007, the 1.0 cent per ton tax on coal was eliminated and the permanent rate was increased to 10 cents per ton. The same legislation added an additional levy of 1.2 cents per ton for surface mining operations, and an additional levy of up to 16 cents per ton on coal mining operations without a full cost bond.

	1,000 cubic feet
Clay, sandstone, and shale	1.0 cent per ton
Conglomerate, gypsum, and quartzite	1.0 cent per ton

Filing Procedures

New Businesses:

Must file an application (SV 1) for a severer's license before extracting or selling natural resources in Ohio. A \$50 fee must accompany the completed applications. The company must also obtain a mining permit from the Ohio Department of Natural Resources.

All Businesses:

Quarterly returns (SV 3) must be filed by May 15, Aug. 14, Nov. 14, and Feb. 14 showing the quantity of natural resource extracted during the previous quarter. Tax payments must accompany the returns.

Primary Forms Used

SV 1 Application for Severer's License

SV 3 Ohio Severance Tax Return

Find forms at tax.ohio.gov or call (800) 282-1782.

Closing a Business

A business that is subject to the severance tax and closes is required to file a final return. Failure to do so will result in the account being cancelled, but not in good standing.

For Further Information

Ohio Department of Taxation

Excise Tax

P. O. Box 530

Columbus, OH 43216-0530

Phone: (614) 466-7026

Fax: (614) 752-8644

Or:

- E-mail us from tax.ohio.gov (select "Contact Us")

IV. Taxpayer Service Centers



Ohio Department of Taxation Service Centers

The doors to the Ohio Department of Taxation are open at the eight Taxpayer Service Centers located across the state. Together, these offices offer a face-to-face contact for all taxpayer issues and concerns that's an easy drive from anywhere in Ohio. Each service center is staffed to assist walk-in customers with the preparation of forms and returns or to answer questions about any matter relating to tax returns, bills, or assessments. Toll-free

telephone numbers are an additional resource for those in need of fast answers.

Contact information and addresses for all eight Taxpayer Service Centers is listed below.

Toll-free numbers:

Individuals (800) 282-1780

Businesses (888) 405-4039

**Ohio Relay for the Hearing Impaired
(800) 750-0750**

Center Locations

Akron Taxpayer Service Center

Akron Government Center
161 S. High Street, Suite 501
Akron, OH 44308-1600
Fax Machine (330) 643-1470

Cincinnati Taxpayer Service Center

900 Dalton Avenue at W. 8th Street
Cincinnati, OH 45203-1171
Fax Machine (513) 852-3320

Cleveland Taxpayer Service Center

Cleveland State Office Tower
615 W. Superior Avenue, 5th Floor
Cleveland, OH 44113-1891
Fax Machine (216) 787-3710

Columbus Taxpayer Service Centers

30 E. Broad Street, 20th Floor
Columbus, OH 43215
Fax Machine (614) 752-9032

4485 Northland Ridge Blvd
Columbus, OH 43229
Fax Machine (614) 387-1993

Dayton Taxpayer Service Center

40 S. Main Street, 5th Floor
Dayton, OH 45402-2162
Fax Machine (937) 285-6342

Toledo Taxpayer Service Center

One Government Center, Suite 1400
Toledo, OH 43604-2232
Fax Machine (419) 245-2833

Youngstown Taxpayer Service Center

242 Federal Plaza West, Suite 402
Youngstown, OH 44503-1294
Fax Machine (330) 797-9260

Zanesville Taxpayer Service Center

601 Underwood Street
Zanesville, OH 43701-3786
Fax Machine (740) 455-6613

Notes

Notes

