



Revenue From Taxes Administered by the Tax Commissioner

The Tax Commissioner's primary responsibility is the administration of most state and some local taxes. These taxes yielded approximately \$24.6 billion in net collections during the period of this report, Ohio's 2009 fiscal year, which is the period from July 1, 2008 through June 30, 2009. A breakdown of the collections from these taxes is shown in Table 1 for both state-collected taxes, represented by fiscal year, and locally-collected taxes, on a calendar year basis.

Readers of Table 1 should keep in mind that taxes imposed by one level of government may be collected by another, and that taxes collected by one level of government may be shared with another. For this reason, the tax collection figures attributed to state or local governments in the table do not necessarily indicate amounts available for expenditure by either the state or local governments. In addition, some state taxes are not administered by the Tax Commissioner, but by other state agencies. Thus, collections for these other taxes – including the foreign and domestic insurance taxes, motor vehicle license tax, and liquor gallonage tax – are not shown in Table 1.

The state-collected taxes administered by the Tax Commissioner yielded net tax collections of approximately \$23 billion during the fiscal year. This was a decrease of nearly \$2.3 billion from the previous fiscal year, or about 9 percent. Receipts from locally-collected taxes were approximately \$1.5 billion in the 2008 calendar year, a decrease of about \$422 million from the prior year, or about 20.7 percent.

Table 2 shows state General Revenue Fund revenue sources for fiscal year 2009. Excluding federal aid, total revenue amounted to approximately \$20 billion. Of this total, tax revenue represented \$17.1 billion, a steep decline from 2008, when tax revenues were \$19.4 billion.

As the second table shows, the largest single revenue source for the general fund was the individual income tax, with approximately \$7.6 billion distributed to the fund. The sales tax was the second largest revenue source, contributing more than \$7.1 billion. From the 2008 to the 2009 fiscal years, income tax revenue declined by approximately 16.3 percent, and sales tax collections declined by 6.6 percent.

During fiscal year 2009, the state's primary sources of tax revenue – the individual income tax and the sales tax – were buffeted by the recent national economic recession. In particular, the downturn in the income tax was of an unprecedented scale, driven by economic conditions. A secondary factor was the 4.2 percent reduction in income tax rates that took effect for the 2008 taxable year – the fourth of five annual rate reductions scheduled by the General Assembly in 2005. Although the annual income tax rate reductions placed downward pressure on income tax revenues beginning with fiscal year 2006, overall revenue from the tax still saw slight annual revenue growth during the first three years of the rate reduc-

tions; however, because the economy took a steep plunge beginning in late 2008, state income tax revenues exhibited the large decline in fiscal year 2009.

Sales tax revenues also suffered during fiscal year 2009. This was due to a substantial reduction in consumer purchases as the recession took hold, at least when compared to other products and services on which the tax does not apply, such as groceries and motor fuel. Purchases subject to sales tax are particularly negatively affected by an economic downturn because they tend to be more discretionary in nature. Thus, after several years of extremely modest growth, sales tax revenues fell by nearly 7 percent in fiscal year 2009.

Ohio's other major taxes have experienced quite disparate patterns, largely due to tax law changes.

Corporation franchise tax revenues actually declined earlier this decade, followed by a robust recovery; however, a scheduled five-year phase-out for most of this tax began in tax year 2006, ensuring revenue decline through 2009.

Beginning in fiscal year 2008, the cigarette tax became the third-largest tax source for the General Revenue Fund. This is because the cigarette tax rate has increased several times in recent years: from 24 cents per pack to 55 cents per pack beginning in fiscal year 2003; and from 55 cents per pack to \$1.25 per pack beginning in fiscal year 2006.

Public utility excise tax revenue has declined substantially from its pre-2002 levels, but this was partially offset by the creation of the kilowatt-hour tax in May 2001. This tax replaced the excise tax for electric and rural electric companies. The kilowatt-hour tax generated \$544.6 million in revenue in fiscal year 2009, of which only \$136 million was deposited into the General Revenue Fund. The remaining \$408.6 million was distributed to schools and local governments.

Revenue from taxes administered by the Department of Taxation comprised 97.4 percent of total General Revenue Fund taxes in fiscal year 2009. Most of the remaining 2.6 percent is comprised of foreign and domestic insurance taxes, which are administered by the Ohio Department of Insurance.

The first pie chart at the end of this chapter illustrates the General Revenue Fund tax sources for the fiscal year. The largest source, individual income tax, accounted for approximately 44.6 percent of tax revenue into the general fund for fiscal year 2009.

The total revenue from all state tax sources amounted to approximately \$22.2 billion. The second pie chart shows the taxes that comprise this total.

Further statistical information on most of these taxes is contained in other Department of Taxation publications. Some of these are available at the Department of Taxation's Web site (tax.ohio.gov); others can be obtained by contacting the Tax Analysis Division at (614) 466-3960.

Table 2

General Revenue Fund Sources: Fiscal Year 2009 (figures in thousands)		
Major Taxes:		FY 2009 Collections
Personal Income Tax		\$7,627,989
Sales and Use Tax		7,112,816
Corporation Franchise Tax		520,771
Public Utility Excise Tax		184,516
Kilowatt-Hour Excise Tax		135,957
Cigarette Tax		924,764
Alcoholic Beverage Taxes (including liquor gallonage)		92,840
Subtotal:	Major Taxes	\$16,599,652
Other Taxes:		
Domestic Insurance Tax		\$155,347
Estate Tax		64,403
Foreign Insurance Tax		249,214
Dealers in Intangibles Tax		25,062
Subtotal:	Other Taxes	\$494,026
Total:	All Tax Revenue	\$17,093,678
Non-Tax Revenue:		
Earnings on Investment		\$137,135
Liquor Profits		163,000
Miscellaneous ¹		2,440,033
Total:	Non-Tax Revenue	\$2,740,168
GRAND TOTAL		\$19,833,846

Source: Ohio Office of Budget and Management.

¹ Includes certain transfers into the general revenue fund, licenses and fees, and other income.

Chart 1

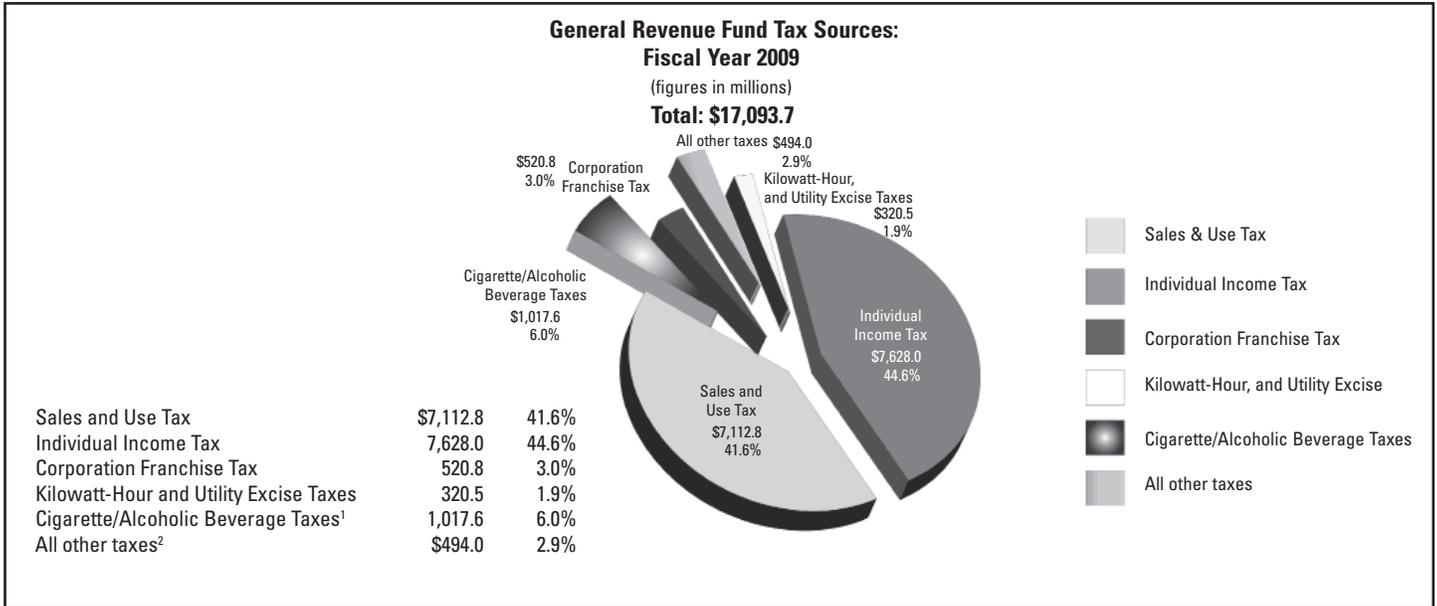
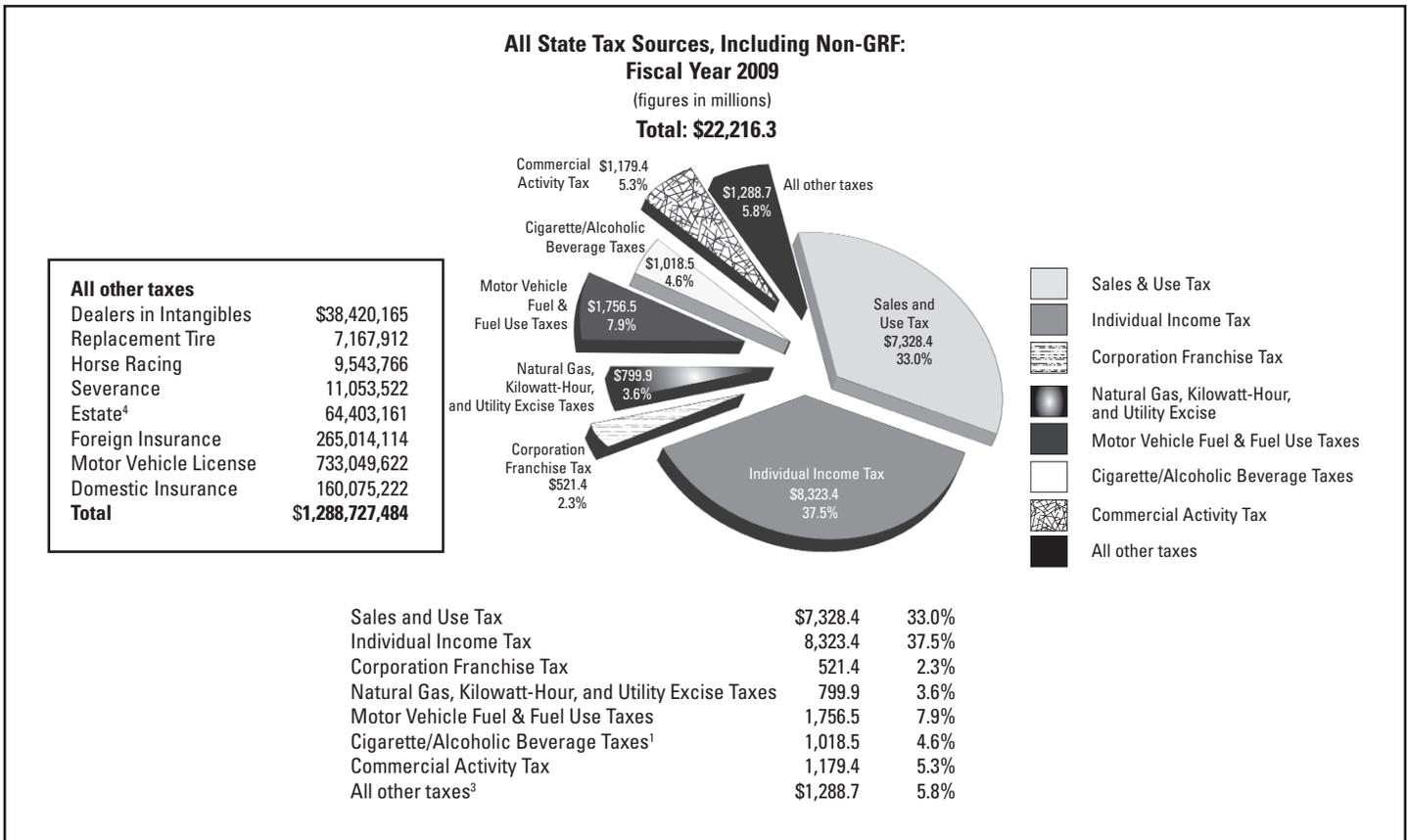


Chart 2



1 Includes tax on liquor of \$35.8 million which is administered by the Department of Commerce, Division of Liquor Control.
 2 This figure is comprised of domestic insurance, foreign insurance, estate and dealers in intangibles taxes.
 3 This figure is comprised of the following state tax revenues shown in the small box, above left.
 4 Reflects only the state's share of total estate tax revenues. Prior editions of this table reflected total (state and local) estate tax revenues.