State of Ohio

Executive Budget

Fiscal Years 2006 and 2007

Book Two
Tax Expenditure Report

Prepared by the Department of Taxation
and Submitted to the 126th General Assembly
By Governor Bob Taft
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Ohio Department of TAXATION

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It is my pleasure to present the *Tax Expenditure Report*, a responsibility assigned to the Tax Commissioner by the Ohio Revised Code (Sections 107.03 and 5703.48). This report makes possible an ongoing review of state and local tax expenditures. It is a companion piece to the Governor's Executive Budget.

This report includes analysis of 135 tax expenditures allowed in fiscal years 2006 and 2007. It estimates the state revenue that would be produced from the repeal of each expenditure, but does not address whether those exemptions are appropriate or effective. The responsibility of evaluating the public policy merits of tax expenditures belongs jointly to Governor Bob Taft and the General Assembly. The information does, however, lend itself to a better understanding of the current tax system. As such, this report stands as an important resource for those making decisions about Ohio's tax policy.

If you have questions or comments about the report, please direct them to:

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Sincerely,

William W. Wilkins

William W. Wilkins
Tax Commissioner

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The Tax Expenditure Concept

Tax expenditures are tax dollars that are foregone through deductions, exemptions, credits, and other provisions in tax laws. These laws are designed to encourage certain activities or to help taxpayers in special circumstances. These provisions in the law result in a loss of tax revenue to state government, thereby reducing the funds available for other government programs. As such, a tax expenditure has the same fiscal impact as a direct government expenditure.

Both tax expenditures and direct expenditures incur a cost to the state in order to accomplish public policy goals. Unlike direct expenditures, tax expenditures are not analyzed and reviewed as part of the budget process. They may remain in effect indefinitely, with no scrutiny by policy makers. Typically, the fiscal impact of an existing provision is not estimated unless a proposal is made to change or repeal it.

The Purpose of the Tax Expenditure Report

The purpose of a tax expenditure report is to help provide a clearer picture of the total range of government spending. The report provides the estimated dollar value of tax expenditures but offers no conclusions about the validity of an expenditure. The responsibility of evaluating the expenditure's merit with regard to public policy belongs jointly to the General Assembly and the Governor.

Sections 5703.48 and 107.03(F) of the Ohio Revised Code, enacted in 1987, require the submittal of a tax expenditure report as a supplement to the governor’s biennial budget. The report shows the impact of tax expenditures on the state General Revenue Fund and other funds. The report includes the legal citation, date of enactment, a description of the tax expenditure, and estimates of the revenue impact from repealing the tax expenditure for fiscal years 2006 and 2007.

Defining Tax Expenditures

To produce this report it was necessary to address the question of what exactly constitutes a “tax expenditure.” A tax expenditure can generally be understood as any tax provision that exempts (either in whole or in part) certain persons, income, goods, services, or property from the effect of taxes established by law, including (but not limited to) tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates. Such a definition follows the idea that a tax expenditure is any item that precludes the imposition of a theoretically-derived “optimal” tax base. Such a tax base would be predicated on the findings of public finance research and analysis.

Unfortunately, the optimal model of the tax base poses difficulties because it does not specifically address the many technical features of tax law that may or may not constitute a tax expenditure. For example, with the optimal tax base approach it is not clear whether the various federal deductions and adjustments that pass through to the state income and state corporate franchise taxes (because Ohio uses federal taxable income as the corporate franchise tax “starting point” and federal adjusted gross income as the "starting point" for the income tax) would be defined as tax expenditures. As a further example, under the optimal tax base approach one would have to determine whether Ohio’s method of allowing corporations to file a combined corporate franchise tax report for purposes of determining taxable income constitutes a tax expenditure, simply because this method is not as inclusive as the approach used in states that require combined filing for “unitary” groups of corporations.

Complications that accompany the optimal tax base concept do not affect this report because the report uses a specific operating definition of tax expenditures based on the four following criteria.

1) *The item reduces, or has the potential to reduce, one of the state's General Revenue Fund taxes.*

By law, the tax expenditure report includes only those taxes (eight taxes altogether) that contribute to the General Revenue Fund (GRF). These eight taxes comprise 90 percent of the GRF, excluding federal reimbursements. Several GRF taxes -- liquor gallonage and dealer in intangibles -- do not have tax expenditures. There are other state taxes that do not provide revenue to the state's GRF and thus are excluded from the report. These taxes include the motor vehicle license tax, motor vehicle fuel tax, horse racing tax, and severance taxes.

2) *The item would have been part of the defined tax base.*

In order for a provision to be a tax expenditure it must specifically exempt from taxation an item that otherwise would have been part of the tax base. Without the provision, the item would have been taxable. There are some items specifically exempted by the Ohio Revised Code that do not happen to be part of the tax base. These items are not included as tax expenditures in this report. For example, the Revised Code exempts purchases of items for resale from the sales tax. However, these purchases are not part of the sales tax base (retail sales) and are not included as tax expenditures.

3) *The item is not subject to an alternative tax.*

Items that are subject to alternative taxes are not considered tax expenditures. Many public utilities are exempted from the corporate franchise tax by the Ohio Revised Code but this exemption is not considered a tax expenditure because such public utilities are taxed under the public utility excise tax.

4) *The item is subject to change by state legislative action. Thus, this item must be listed as an exemption, deduction, or credit in the Ohio Revised Code.*

Those items which can only be changed by a state constitutional amendment, a federal law change, or a federal constitutional amendment are not considered tax expenditures.

Projected Fiscal Year 2006 - 2007 Revenue From Repeal of Tax Expenditures

The 2006-2007 biennium tax expenditure report identifies the estimated revenue that would be generated for the state general revenue fund and other funds (primarily local government funds) if the tax expenditure were repealed as of July 1, 2005.[1]

The revenue impact figures reflect cash flow considerations that affect fiscal year 2006 as a result of the assumed July 1, 2005 effective date. Because tax increases can not be imposed retroactively, the fiscal year 2006 revenue impact figure of most of the tax expenditures reflects less than a "full-year" revenue gain.[2]

There are other important factors reflected in the revenue impact figures. Potential taxpayer behavioral responses to the repealed tax expenditure were factored into the revenue estimates. This includes (predominantly short-term) non-compliance by certain taxpayers in response to the repealed tax expenditure, diluting the potential revenue gain. In addition, the presence of possible "overlapping" tax exemptions was factored into the revenue impact figures. That is, another provision of tax law may exist that exempts some of the activity pertaining to the repealed tax expenditure. The existence of an overlapping exemption dampens the possible revenue yield generated from the repeal of a tax expenditure.

[1] The local government funds are three separate "revenue sharing" program funds wherein each fund's proceeds are allocated to local governments based on a statutory formula. These funds are: the local government fund (LGF); the local government revenue assistance fund (LGRAF); and the library and local government support fund (LLGSF). Each fund receives a designated share of revenues from major state tax sources. The LLGSF receives 5.7 percent of income tax revenues while the LGF and LGRAF receive 4.2 percent and 0.6 percent, respectively, of income tax, sales and use tax, corporate franchise tax, public utility excise tax, and kilowatt hour tax revenues.

[2] In the case of the income and corporate franchise taxes, those taxpayers with taxable years ending prior to July 1, 2005 are assumed not to be affected by the repeal of the tax expenditure in taxable year 2005 (fiscal year 2006). In the case of consumption taxes - such as the sales tax - only transactions/sales made on or after July 1, 2005 would be affected. Only estates with dates of death on or after July 1, 2005 are assumed to be affected by tax expenditure repeal. The estate tax cash flow lag is quite dramatic; the built-in estate tax cash flow assumptions are explained in the Estate Tax section of the report.

The accuracy of the estimates varies with the source of data and applicability of the data to the tax expenditure provision. In some instances, the Department of Taxation relies on external sources of data that may not be as reliable as those offered within the agency. A data reference code has been devised to identify the source of documentation for individual tax expenditures, as follows:

Data Source Code (A): Data emanating from tax returns filed with the Department of Taxation, as well as other information generated by the Department of Taxation.

Data Source Code (B): Information from other State of Ohio agencies, from the Federal government (such as the IRS and U.S. Census Bureau), from other state governments, and from Ohio local governments.

Data Source Code (C): All other data, including (but not limited to) information from business information services, academic research and non-profit research organizations.

Finally, it should be noted that we have augmented the reporting format of this tax expenditure report. The estimated "value" of each tax expenditure has been provided within a small box. The value of a tax expenditure is intended to measure the amount "spent" through the tax system on that one provision, and is not the same as the amount of revenue that would be gained by repeal. The tax expenditure value concept ignores the effects of overlapping tax exemptions and cash flow lag. And because the tax expenditure value measures the impact of the provision as it exists, and not what would happen if it were repealed, it does not reflect changes in taxpayer behavior.

It was judged that the revenue impact of each tax expenditure, rather than the value of each tax expenditure, would provide greater utility to users of the tax expenditure report, especially in the context of budgetary analysis and policy deliberation. Hence, the primary figures used in this report are those indicating the revenue gain from tax expenditure repeal; the values of tax expenditures are less prominently displayed.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

CORPORATE FRANCHISE TAX

		GRF & Local Funds Revenue Impact	
		FY 2006	FY 2007
1.	Credit union exemption	$3.1	$2.5
2.	Real estate investment trust, regulated investment company and real estate mortgage investment conduit	47.6	71.4
3.	"S" corporation exemption (1)	69.9	102.9
4.	Holding company net worth exemption	3.8	5.8
5.	High technology start-up net worth exemption	1.4	2.0
6.	Certified energy and solid waste conversion facilities	minimal	minimal
7.	$150,000 maximum net worth tax liability	94.4	130.9
8.	Land devoted to agricultural use	minimal	minimal
9.	Goodwill, appreciation and abandoned property of financial institutions	59.5	89.3
10.	Specified dividends from other corporations	7.1	10.1
11.	Certain capital gains from the sale of business assets	minimal	minimal
12.	Income from coal conversion facilities	minimal	minimal
13.	Payroll for federal "work opportunity credit"	minimal	minimal
14.	Ohio net operating loss deduction	97.6	143.6
15.	Contributions to individual development accounts(2)	minimal	minimal
16.	Pollution control property excluded from property apportionment factor	minimal	minimal
17.	Coal conversion facility excluded from apportionment factors	minimal	minimal
18.	Enterprise zone property excluded from property factor	minimal	minimal
19.	Enterprise zone payroll excluded from payroll apportionment factor	minimal	minimal
20.	Qualified research property and payroll excluded from apportionment factors	minimal	1.3
21.	Receipts from public utilities, insurance companies, and financial institutions excluded from sales factor	minimal	minimal
22.	Litter control donation credit	minimal	minimal
23.	Enterprise zone day care/training credit(2)	minimal	minimal
24.	State chartered savings & loan credit	1.4	2.0
25.	Job creation credit(2)	0.0	5.0
26.	Credit for property used to produce grapes(2)	minimal	minimal
27.	Enterprise zone employee credit	minimal	minimal
28.	7.5%/13.5% manufacturing investment credit(2)	69.3	113.4

(1) Distributive shares of S corporations are taxed under the income tax. This represents the incremental amount that would be raised by taxing the S corporation as an entity and exempting the distributive shares from the income tax.

(2) This deduction or credit is also available under the income tax. The figures shown represent the combined effect of removing the deduction or credit from both taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	GRF & Local Funds Revenue Impact FY 2007
29. Credit for qualifying affiliated groups	$0.0	$1.5
30. Credit for increased research and development	27.3	36.4
31. Credit for job training expenses[3]	12.7	4.0
32. Credit for grade crossing devices	minimal	minimal
33. Credit for electric plants using Ohio coal	26.4	14.8
34. Credit for taxes paid by a pass-through entity	1.7	1.8
35. Credit for financial institution investment in a dealer in intangibles	6.0	6.0
36. Job retention tax credit	7.0	7.0
37. Research and development loan program credit	2.3	3.6
38. Small telephone company credit	minimal	minimal
39. Credit for non-recurring 9-1-1 service expenses	minimal	minimal
40. Credit for programs to aid the communicatively impaired	6.3	6.3
Total Corporate Franchise Tax	**$544.8**	**$761.6**
ALCOHOLIC BEVERAGES TAX		
41. Advanced payment credit/discount	$1.3	$1.3
42. Sacramental wine exemption	minimal	minimal
43. Small brewer's credit	minimal	minimal
44. Small wine producer's exemption	minimal	minimal
Total Alcoholic Beverage Tax	**$1.3**	**$1.3**
CIGARETTES & OTHER TOBACCO PRODUCTS TAX		
45. Discount for cigarette tax stamps	$10.2	$10.3
46. Discount for timely payment of other tobacco products tax	minimal	minimal
Total Cigarettes and Other Tobacco Products Tax	**$10.2**	**$10.3**

(2) These credits are also available under the income tax. The figures shown represent the combined effect of removing the credits from both taxes.

(3) The credit is also available under the income tax, dealers in intangibles tax, and insurance tax. The figures shown represent the combined effect of removing the credit from all these taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	FY 2007
PUBLIC UTILITY EXCISE TAX		
47. Municipal utilities and non-profit (water works) utilities are exempt	$78.5	$82.3
48. $25,000 deduction from gross receipts for each company	minimal	minimal
49. Sales to other public utilities for resale	minimal	minimal
50. Credit for certain natural gas companies	8.6	8.6
Total Public Utility Excise Tax	**$87.1**	**$90.9**
KILOWATT HOUR TAX		
51. Exemption for qualified end-users	$6.1	$7.5
Total Kilowatt Hour Tax	**$6.1**	**$7.5**
INDIVIDUAL INCOME TAX		
52. Social security & railroad retirement benefits	$176.5	$182.6
53. Personal exemption deduction	593.0	619.6
54. Deduction for college savings programs	9.1	9.4
55. Deduction for post secondary education tuition	14.8	16.2
56. Disability income	29.0	30.0
57. Medical savings accounts	minimal	minimal
58. Deduction for excess medical expenses	28.4	29.3
59. Deduction for taxpayers ineligible for employer sponsored medical plan	16.7	17.0
60. Long-term care medical insurance	10.5	11.5
61. $20 personal exemption credit	183.5	184.1
62. $50 senior citizen credit	31.2	32.3
63. Retirement income credit	121.9	126.2
64. Resident credit for income taxed by another state	96.1	99.5
65. Joint filer credit	269.8	273.1
66. Dependent care credit	7.6	7.9
67. Lump sum retirement income credit	1.5	1.5

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	FY 2007
68. Lump sum distribution credit	minimal	minimal
69. Displaced worker job training credit	1.5	1.5
70. Campaign contribution credit	4.6	4.8
71. Credit for adoption related expenses	minimal	minimal
72. Ethanol plant investment credit[4]	19.8	26.5
73. Technology investment tax credit	1.3	1.3
Total Individual Income Tax	**$1,616.8**	**$1,674.5**
SALES AND USE TAX		
74. Copyrighted motion pictures	minimal	minimal
75. Value of motor vehicle trade-ins	146.4	163.8
76. Refundable deposits on beverage containers	minimal	minimal
77. Tangible personal property used or consumed in commercial fishing	minimal	minimal
78. Tangible personal property used directly in agriculture and mining production	118.2	142.3
79. Tangible personal property used directly in providing public utility services	14.6	15.6
80. Tangible personal property used to produce printed materials	36.0	41.6
81. Qualified tangible personal property used in making retail sales	58.4	66.1
82. Sales to the state, its political subdivisions and certain other states	155.9	161.8
83. Food sold to students on school premises	15.7	17.3
84. Newspapers	16.7	18.7
85. Magazine subscriptions	16.1	18.1
86. Casual sales	33.0	37.2
87. Sales by churches and certain types of non-profit organizations	18.9	22.3
88. Transportation of persons or property	167.4	191.3
89. Sales to churches and certain other types of non-profit organizations	200.1	225.7

[4] The credit is also available under the corporate franchise tax. The figure shown reflects the combined effect of removing the credit from both taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	GRF & Local Funds Revenue Impact FY 2007
90. Building and construction materials used in certain structures	$149.2	$175.1
91. Ships and rail rolling stock used in interstate or foreign commerce	minimal	minimal
92. Packaging and packaging equipment	275.7	312.6
93. Emergency and fire protection vehicles and equipment	minimal	minimal
94. Sales of property for use in production of presentations in music, dramatics, the arts, and related fields	minimal	minimal
95. Motor vehicles sold in Ohio for use outside the state	26.3	26.8
96. Agricultural property (use on use)	minimal	minimal
97. Property for use in retail business outside of Ohio	minimal	minimal
98. Sales to non-commercial, educational broadcast stations	minimal	minimal
99. Sales of animals by non-profit animal shelters	minimal	minimal
100. Items used in serving and preparing food	7.6	9.1
101. Property used in air, noise, or water pollution control	2.2	2.3
102. Bulk water for residential use	minimal	minimal
103. Property used in energy or waste conversion facilities	minimal	minimal
104. 0.75% discount for vendors	43.4	45.9
105. Agricultural land tile and portable grain bins	minimal	minimal
106. Prescription drugs and medical supplies	200.9	247.7
107. Artificial limbs, prostheses, wheelchairs and other medical equipment	5.7	6.6
108. Property used in preparing eggs for sale	1.2	1.3
109. Sales to veterans' headquarters	minimal	minimal
110. Property and services sold to providers of tele-communication services	47.3	46.9
111. Property used primarily in manufacturing tangible personal property	1,794.7	2,054.5
112. Investment coins and metal bullion	minimal	minimal
113. Value of watercraft trade-ins	4.6	4.9
114. Sales to facilities financed with public hospital bonds	minimal	minimal
115. Property used in research and development	123.6	128.8
116. Property used in highway transportation for hire	16.1	18.6
117. Property used to fulfill a warranty or service contract	44.3	47.6

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	FY 2007
118. Equipment used in private warehouses and distribution centers with inventory to be shipped out of state	$5.7	$6.9
119. 25% refund for electronic information provider's purchases of qualified tangible personal property	2.9	2.9
120. Sales of computers and computer equipment to certified teachers	minimal	minimal
121. Sales of qualified tangible personal property to qualified motor racing teams	minimal	minimal
122. Drugs distributed to physicians as free samples	5.1	5.6
123. Qualified used manufactured and mobile homes	1.8	1.9
124. Sales of tangible personal property and services to electricity providers	188.1	207.4
125. Sales of tangible personal property and services to qualified fractionally-owned aircraft	minimal	minimal
126. $800 tax cap on qualified fractionally-owned aircraft	3.1	3.5
127. Qualified call center exemption	$45.4	$49.0
Total Sales and Use Tax	**$3,992.4**	**$4,527.8**
INSURANCE PREMIUMS TAX		
128. Ohio Life and Health Guaranty Association contribution credit	minimal	minimal
129. Deduction for premiums received from qualified small business alliances	$7.8	$8.2
130. Credit for small insurers	$3.9	$3.9
Total Insurance Premiums Tax	**$11.7**	**$12.1**

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2006 - 2007
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2006	FY 2007
ESTATE TAX		
131. Credit for each estate	$0.0	$20.0
132. Marital deduction	0.0	9.2
133. Bequests to charitable, religious, etc., organizations	0.0	2.3
134. Deduction for a decedent's interest in a family-owned business	0.0	minimal
135. Funeral and administration expenses and debts against the estate	$0.0	$2.2
Total Estate Tax	**$0.0**	**$33.7**
GRAND TOTAL	**$6,270.4**	**$7,119.7**

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

Corporate Franchise Tax

The corporate franchise tax was originally levied in 1902 on the value of capital stock located in Ohio. A second tax base, net income, was added in 1971. In 2003, 63 percent of corporate franchise tax liability was based on net income.

Tax Base

The corporate franchise tax has two alternative tax bases:

Ohio net worth (assets less net carrying value of liabilities) of the corporation.

Ohio net income (profits) of the corporation.

Tax Rate

The tax is the greater of:

4.00 mills on net worth with a maximum $150,000 liability; or

5.1 percent on the first $50,000 of net income plus 8.5 percent on net income in excess of $50,000.

The minimum tax is $50 for small taxpayers and $1,000 for large taxpayers.

Financial institutions are subject to a 13 mill tax on net worth, with a minimum tax of $50.

Additional Rates: The rate for all corporations except financial institutions and "litter stream corporations"* 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.
(Maximum tax charged by these rates is limited to $5,000.)

The rate for "litter stream corporations"* is the greater of:

0.28 mill on net worth; or
0.11 percent on the first $50,000 of net income plus 0.44 percent on net income in excess of $50,000.
(Maximum tax charged by these rates is limited to $10,000.)

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

Significant Changes Enacted by the 125th General Assembly

Several significant corporate franchise tax changes were enacted in the state's fiscal year 2004-2005 budget bill (Am. Sub. House Bill 95). Ohio adopted the UDIPTA "business/non-business" distinction in apportioning or allocating income, and the minimum tax for corporate franchise taxpayers with greater than $5 million in sales or 300 employees was increased from $50 to $1,000.

The 125th General Assembly also enacted some new credits and exemptions. These were:

- Nonrefundable and transferable tax credit for borrower's qualified research and development loan payments[1] (Am. Sub. House Bill 1);
- Nonrefundable tax credit for small telephone incumbent local exchange carrier companies based on the excess of corporation franchise tax paid over public utility excise tax paid (Am. Sub. House Bill 95);
- Extension of the 7.5%/13.5% manufacturing investment credit through calendar year 2015 (Sub. House Bill 127);

The legislature also extended the credit for use of Ohio coal although it reduced it from $3/ton to $1/ton (Sub. House Bill 425).

All of the above changes are included in this tax expenditure report. Excluded from this report is a tax credit to defray the losses of lenders to the venture capital program fund enacted by the 124th General Assembly (Am. Sub. Senate Bill 180). The credit is not included because it will have no fiscal impact in fiscal year 2006 or 2007.

Corporate Franchise Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue gain to all state funds – specifically, the general revenue fund, the local government fund, and the local government revenue assistance fund - if the tax expenditures were to be repealed as of July 1, 2005. It is assumed that the repeal of a tax expenditure would have no effect in tax year 2006 on those corporations whose taxable year ends prior to July 1, 2005. Therefore, in most cases the state would not receive a full year's amount of tax revenue in fiscal year 2006 if the tax expenditure were repealed on July 1, 2005.

[1] Am. Sub. House Bill 1 also raised the cap on the Technology Investment Credit from $10 million to $20 million, necessitating its inclusion in the FY 2006-2007 tax expenditure report. This credit was not included in the FY 2004-2005 tax expenditure report because it was expected to reach the $10 million statutory limit during the first half of calendar year 2003; therefore its July 1, 2003 repeal would have no effect on revenues for FY 2004-2005.

In addition, the estimates incorporate other factors that would impact the tax expenditure's were repealed.[2] Because certain taxpayers may not comply (at least initially) with repeal of the tax credit, exclusion or exemption, we have attempted to factor compliance issues into the estimated revenue yield. We have also attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that would also dampen the potential revenue gain of the repealed tax expenditure. revenue yield. We have attempted to reflect the impact of taxpayer behavior if the tax expenditure

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from tax year 2003 corporate franchise tax returns filed with the Department of Taxation. However, some of the estimates were derived from non-Departmental data sources, such as the Internal Revenue Service Statistics of Income unit; other federal agencies, such as the U.S. Census Bureau and the Bureau of Economic Analysis; other state agencies such as the Department of Development; taxation and other public finance research published by academic, public, and not-for-profit organizations; and business information services. It should be recognized that the dependability of the figures below vary based on the amount and quality of information available on the tax expenditure.

NOTE: See page 4 for description of data source codes.

1. Credit union exemption

Ohio Revised Code 1733.43, effective 1931

Credit unions are not subject to the corporate franchise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$3.1 million
FY 2007	$2.5 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $4.6 million. In fiscal year 2007, the value is estimated at $4.9 million.

[2] These estimates reflect only the direct taxpayer behavioral effects on that revenue source if the tax expenditure were repealed. The estimates do not reflect potential "secondary" revenue impacts on other revenue sources that may stem from the economic changes engendered by the repealed tax expenditure. That is, each corporate franchise tax expenditure reflects only the amount of corporate franchise tax revenue generated from corporate franchise taxpayers losing the tax expenditure.

2. Exemption for real estate investment trusts, regulated investment companies and real estate mortgage investment conduits

Ohio Revised Code 5733.09(C), effective 1971, 1990

Real estate investment trusts (REITs), regulated investment companies (RICs) and real estate mortgage investment conduits (REMICs) as defined by the Internal Revenue Code are exempt from the corporate franchise tax.

Note: This estimate assumes that Ohio law would recognize the federal deduction for distributions made to REIT, RIC or REMIC shareholders, which would severely restrict the net income franchise tax liability of such companies.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $47.6 million

FY 2007 ---------- $71.4 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $68.0 million. In fiscal year 2007, the value is estimated at $71.4 million.

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3. "S" corporation exemption

Ohio Revised Code 5733.09(B), effective 1987

"S" corporations are generally treated as "pass-through entities", which means they are exempt from corporate franchise tax and are taxable only at the shareholder level.

Note:The revenue impact reflects the incremental increase in revenue from subjecting S corporations to the corporate franchise tax and exempting the shareholders' distributive shares of S corporation income from the state individual income tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $69.9 million

FY 2007 ---------- $102.9 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $105.1 million. In fiscal year 2007, the value is estimated at $108.3 million.

Exemptions and Exclusions from Net Worth

4. Net worth tax exemption for qualifying holding companies

Ohio Revised Code 5733.04(L) and 5733.05 (C)(1), effective 1999

Entities meeting the definition of a "qualifying holding company" are exempt from the net worth basis of the corporate franchise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$3.8 million
FY 2007	$5.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $6.4 million. In fiscal year 2007, the value is estimated at $6.8 million.

5. Net worth tax exemption for high technology start-up companies

Ohio Revised Code 5733.06(C), effective 2003

Corporations that meet the definition of a qualified trade or business in ORC section 122.15(C) are exempt from the net worth tax basis of the corporate franchise tax if they were formed not more than three years before the due date of the franchise tax report (without regard to any extensions), have at least 50 percent of their assets located in Ohio, and are not a related member of another corporation.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.4 million
FY 2007	$2.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.0 million. In fiscal year 2007, the value is estimated at $2.0 million.

6. Certified energy and solid waste conversion facilities

Ohio Revised Code 5709.50(B)(3), effective 1978

Facilities certified under ORC section 5709.46 as energy conversion, thermal efficiency improvement, or solid waste conversion facilities are excluded from the net worth of a corporation when computing the net worth tax base.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

7. $150,000 maximum net worth tax liability
Ohio Revised Code 5733.06(G), effective 1999

The net worth liability cannot exceed $150,000.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006	$94.4 million
FY 2007	$130.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $230.1 million. In fiscal year 2007, the value is estimated at $223.2 million.

8. Land devoted exclusively to agricultural use
Ohio Revised Code 5733.05(C)(1), effective 2000

The book value of land devoted exclusively to agricultural use (land qualified for current agricultural use valuation for property tax purposes) is excluded from net worth for corporate franchise tax purposes.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

9. Goodwill, appreciation and abandoned property of financial institutions
Ohio Revised Code 5733.056(B)(4), effective 1933

The value of goodwill, appreciation and abandoned property is excluded from the net worth tax base of financial institutions.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006	$59.5 million
FY 2007	$89.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $94.5 million. In fiscal year 2007, the value is estimated at $99.2 million.

Minimal is defined as below $1,000,000 per year revenue impact.

Exemptions and Deductions from Net Income

10. Specified dividends from other corporations
Ohio Revised Code 5733.04(I)(4),(7) and (8), effective 2003

Corporations are allowed to use the dividends received deduction provided by Section 243 of the Internal Revenue Code to calculate Ohio taxable income. Section 243 allows a 70 percent deduction of dividends received from less-than-20 percent-owned domestic corporations, an 80 percent deduction for dividends received from less-than-20 percent-or-more-owned domestic corporations, and a 100 percent deduction for dividends received by small business investment companies and by certain affiliated corporations from the members of the affiliated group. To the extent not otherwise allowed, dividends received from a public utility (excluding an electric company and for tax years 2005 and thereafter, a telephone company) or an insurance company may be deducted if the taxpayer has at least 80 percent ownership of the utility or insurance company.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$7.1 million
FY 2007	$10.1 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $10.1 million. In fiscal year 2007, the value is estimated at $10.1 million.

11. Certain capital gains occurring prior to the first year the franchise tax was computed on net income
Ohio Revised Code 5733.04(I)(3), effective 1971

Corporations are to deduct any gain (and add any loss) resulting from the sale or other disposal of a capital asset, or an asset described in section 1231 of the Internal Revenue Code, to the extent such gain (or loss) occurred prior to the corporation's taxable year which ended on or after December 20, 1971.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

12. Income from coal conversion facilities

Ohio Revised Code 5709.35(B)(1), effective 1975

Income and expenses arising from a conversion facility defined in ORC section 5709.30 are not included in the computation of net income for the corporate franchise tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

13. Federal "work opportunity credit"

Ohio Revised Code 5733.04(I)(10), effective 1980

Corporations are allowed to take a federal income tax credit equal to a portion of the first-year wages paid to eligible employees. However, when computing federal taxable income, corporations must reduce the wage-expense deduction by the amount of the credit received, thereby increasing taxable income. Such wage expenses not deducted for federal tax purposes are to be deducted for purposes of computing Ohio taxable income.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

14. Net operating loss deduction
Ohio Revised Code 5733.04(I)(1), effective 1971

In calculating Ohio taxable income under the net income tax basis, corporations may deduct an Ohio net operating loss carried forward from previous years. Any unused loss incurred in a taxable year ending between January 1, 1982 and August 5, 1997 may be carried forward for fifteen consecutive years; any unused loss incurred in a taxable year ending on or after August 6, 1997 may be carried forward for twenty consecutive years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$97.6 million
FY 2007	$143.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $154.9 million. In fiscal year 2007, the value is estimated at $159.6 million.

15. Contributions to individual development accounts*
Ohio Revised Code 5733.04(I)(15) and 5747.01(A)(17), effective 1997

Corporations that contribute matching funds to an individual development account program established by a county department of human services for low-income individuals may deduct such funds from net income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Apportionment Formula Exclusions

16. Pollution control property excluded from property factor
Ohio Revised Code 5733.05(B)(2)(a), effective 1971

The value of property that has been certified as air, water, or noise pollution control property is excluded from both the numerator and denominator of the property factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

*This deduction is also available to qualifying individual income taxpayers. The estimated value of deductions taken against the income tax are reflected in these figures.

Minimal is defined as below $1,000,000 per year revenue impact.

17. Coal conversion property excluded from the apportionment factors
Ohio Revised Code 5709.35 (B)(2),(3) and (4), effective 1975

The property value, payroll, and sales of a coal conversion facility defined in ORC section 5709.30 are not included in numerator and denominators of the property, payroll, and sales factors, respectively.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

18. Enterprise zone property excluded from property factor*
Ohio Revised Code 5709.65 (A)(2), effective 1982

Companies that have been issued a tax incentive qualification certificate under ORC section 5709.64 can deduct the value of improvements to an approved enterprise zone facility from the numerator of the property factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

19. Enterprise zone payroll excluded from payroll factor*
Ohio Revised Code 5709.65(A)(3), effective 1982

Companies that have been issued a tax incentive qualification certificate under ORC section 5709.64 can deduct from the numerator of the payroll factor the compensation paid to qualified employees at an approved enterprise zone facility.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

* This exclusion is also available to qualifying individual income taxpayers. The estimated income tax is included in these figures.

Minimal is defined as below $1,000,000 per year revenue impact.

20. Qualified research property and payroll excluded from apportionment factors

Ohio Revised Code 5733.05(B)(2), effective 1987

Corporations may exclude from the numerator and denominator of the property factor the value of facilities used exclusively for qualified research. In addition, the total compensation paid in this state to employees who are primarily engaged in qualified research may be excluded from the numerator and denominator of the payroll factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	$1.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.3 million. In fiscal year 2007, the value is estimated at $1.3 million.

21. Receipts from public utilities, insurance companies, and financial institutions excluded from sales factor

Ohio Revised Code 5733.05(B)(2)(c), effective 2003

Corporations that have at least 80 percent ownership interest in a public utility or insurance company, and corporations that have at least 25 percent ownership interest in a financial institution, may exclude receipts from those companies from the numerator and denominator of the sales factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

Credits

22. Litter control donation credit
Ohio Revised Code 5733.064, effective 1981

Taxpayers may take a nonrefundable credit for cash donations made to municipalities, counties, townships, park districts, and boards of education that have received litter control and recycling grants from the division of recycling and litter prevention, or cash donations made to Ohio nonprofit corporations organized prior to January 1, 1987 whose sole purpose is to promote and encourage recycling. The credit equals the lesser of 50 percent of the amount of the cash donation or 50 percent of the sum of the tier one and tier two litter taxes.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

23. Enterprise zone day care/training credit*
Ohio Revised Code 5709.65, effective 1982

Qualified corporations located in an enterprise zone may receive a tax incentive qualification certificate from the director of development for the following nonrefundable credits:
(1) the amount reimbursed to eligible new employees for the cost of day care services up to a maximum of $300 per child;
(2) the amount paid or reimbursed to eligible new employees for training program costs up to a maximum of $1,000 per employee.
The credit is available for a maximum four consecutive tax years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

* This credit is also available to qualifying individual income taxpayers. The estimated increase in income tax revenue from repeal of the tax expenditure is included in these figures.

Minimal is defined as below $1,000,000 per year revenue impact.

24. State-chartered savings and loan credit
Ohio Revised Code 5733.063, effective 1983

A credit is allowed equal to the difference between the assessment paid by state-chartered savings and loan associations to the Division of Savings and Loans and the amount paid in supervisory fees to the Federal Savings and Loan Insurance Corporation.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.4 million
FY 2007	$2.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.0 million. In fiscal year 2007, the value is estimated at $2.0 million.

25. Job creation credit*
Ohio Revised Code 122.17, 5733.0610 and 5747.058, effective 1993

Businesses that create jobs within Ohio may be eligible for a refundable credit. The credit is a designated percentage of the amount of new income tax revenue (i.e., Ohio income tax withheld from "new employees", as defined in ORC 122.17) that is generated pursuant to an agreement between the business and the Ohio Tax Credit Authority.

Note: The revenue impact figures reflect the estimated amount of corporate franchise tax and individual income tax that would be received by the general revenue fund if no further job creation tax credit agreements are reached beginning July 1, 2005. Credits associated with prior agreements would remain in effect.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$0.0 million
FY 2007	$5.0 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $46.3 million. In fiscal year 2007, the value is estimated at $50.3 million.

* This credit is also available to qualifying individual income taxpayers. The estimated increase in income tax revenue from repeal of the tax expenditure is included in these figures.

26. Credit for property used to produce grapes*

Ohio Revised Code 5733.32 and 5747.28, effective 1995

Taxpayers engaged in the business of producing grapes may take a nonrefundable corporate franchise tax credit equal to ten percent of the cost of qualified property used to produce grapes.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

27. Enterprise zone employee credit*

Ohio Revised Code 5709.66, effective 1994

Taxpayers located in an eligible enterprise zone may take a maximum $1,000 nonrefundable credit for each employee who, at the time the employee was hired, was a participant in the Ohio Works program under ORC Chapter 5107 or the prevention, retention and contingency program under ORC Chapter 5108, or was a recipient of general assistance under former ORC Chapter 5113.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

* This credit is also available to qualifying individual income taxpayers. The estimated amount of this credit attributable to the income tax is included in this estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

28. 7.5%/13.5% manufacturing investment credit*

Ohio Revised Code 5733.33 and 5747.31, effective 1997

New manufacturing machinery and equipment purchased between July 1, 1995 and December 31, 2015 for installation in Ohio may be eligible for a 7.5 percent credit, or a 13.5 percent credit if the property is located in an eligible area of the state. The credit is based on the amount by which the cost of the new manufacturing investment in a specific county exceeds the cost of the taxpayer's average annual manufacturing investment in the same county during the defined baseline years.

Note: The figures are based on the assumption that the tax credit would be repealed beginning with taxable years ending after June 30, 2005. All tax credits on future manufacturing investments and all remaining "1/7th" tax credits from prior manufacturing investments would be repealed, as would any unused credits carried forward from prior tax years. In fiscal year 2006, the only credits that could be claimed would be those attributable to prior years' amended returns or to taxpayers whose 2005 taxable year ended on or before June 30, 2005. The tax credit repeal assumptions reflected in this report are more expansive than those reflected in the FY 2004-2005 Tax Expenditure Report.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $69.3 million

FY 2007 ---------- $113.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $123.4 million. In fiscal year 2007, the value is estimated at $123.4 million.

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29. Credit for qualifying affiliated groups

Ohio Revised Code 5733.068, effective 1992

Affiliated groups that pay over $3.5 million additional franchise tax due to the related entity and related member adjustments are eligible for a nonrefundable credit equal to the difference between the additional tax and $3.5 million. The credit may not exceed $1.5 million for the affiliated group.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $0.0 million

FY 2007 ---------- $1.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.5 million. In fiscal year 2007, the value is estimated at $1.5 million.

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*This deduction is also available to qualifying individual income taxpayers. The estimated value of of this credit attributable to the income tax is included in this estimate.

30. Credit for increased research and development expenses

Ohio Revised Code 5733.351, effective 2002

Corporation may take a nonrefundable credit equal to seven percent of the increased qualified research expenses incurred in Ohio.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$27.3 million
FY 2007	$36.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $36.4 million. In fiscal year 2007, the value is estimated at $38.3 million.

31. Credit for job training expenses*

Ohio Revised Code 5725.31, 5729.07, 5733.42, and 5747.39, effective 2001

Businesses may be granted a nonrefundable credit equal to 50 percent of the average costs paid or incurred during a designated three-year period for training eligible Ohio employees. The credit may not exceed $1,000 per trained employee. The credit is available in tax years 2004, 2005, and 2006 and no more than $20 million in aggregate credits may be granted in each year.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$12.7 million
FY 2007	$4.0 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $19.0 million. In fiscal year 2007, the value is estimated at $4.0 million.

32. Credit for grade crossing devices

Ohio Revised Code 5733.43, effective 1999

Railroad companies may take a nonrefundable credit equal to ten percent of the annual maintenance expenditures for active grade crossing warning devices. The credit shall not exceed $200 for each device.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

*This credit is also available under the income tax, dealer in intangibles tax, and insurance tax. The figures shown represent the combined effect of removing the credit from all these taxes.

Minimal is defined as below $1,000,000 per year revenue impact.

33. Credit for qualified electric plants using Ohio coal

Ohio Revised Code 5733.39, effective 2002

A nonrefundable tax credit is allowed for Ohio coal used in coal-fired electric generating units, under certain conditions. The credit equals three dollars per ton of Ohio coal used between May 1, 2001 and December 31, 2004 in qualifying facilities.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$26.4 million
FY 2007	$14.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $26.4 million. In fiscal year 2007, the value is estimated at $14.8 million.

34. Credit for taxes paid by a qualifying pass-through entity

Ohio Revised Code 5733.0611, effective 1999

A corporation that is a qualifying investor in a qualifying pass-through entity may claim a credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.7 million
FY 2007	$1.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.7 million. In fiscal year 2007, the value is estimated at $1.8 million.

35. Credit for financial institution investment in a dealer in intangibles
Ohio Revised Code 5733.45, effective 2001

Financial institutions are allowed a nonrefundable credit which is the lesser of the amount of tax paid by a qualifying dealer in intangibles under ORC chapter 5707, or the cost of the financial institution's ownership interest in a qualifying dealer in intangibles multiplied by the dealer's Ohio ratio computed under ORC section 5725.15 multiplied by eight mills.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$6.0 million
FY 2007	$6.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $6.0 million. In fiscal year 2007, the value is estimated at $6.0 million.

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36. Job retention tax credit*
Ohio Revised Code 122.171, effective 2001, revised 2002

A qualifying business that, over a three-year period, makes at least $200 million in capital investments at a manufacturing project site and has an average of at least 1,000 full-time employees at the site, may be granted a nonrefundable credit equal to a designated percentage of the employees' state personal income withholding tax (not to exceed 75 percent) over a period of 15 years. A credit may also be granted to a qualifying business meeting the following requirements: at least $100 million in capital investments at the project site over a three-year period; engaged primarily as a manufacturer or in providing significant corporate administrative functions at the site; employs at least 1,000 full-time employees at the site; and provides an average wage of all employees at the site in excess of 400 percent of the federal minimum wage.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$7.0 million
FY 2007	$7.0 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $10.5 million. In fiscal year 2007, the value is estimated at $10.5 million.

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*This credit is also available to qualifying individual income taxpayers. The estimated amount of this credit attributable to the income tax is included in this estimate.

37. Research and development loan program tax credit
Ohio Revised Code 122.171, effective 2001, revised 2002

Borrowers from the Research and Development Loan Fund Program are eligible for nonrefundable and transferable credits against the corporation franchise and income taxes for qualified payments made on loans issued from the fund.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$2.3 million
FY 2007	$3.6 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.3 million. In fiscal year 2007, the value is estimated at $3.6 million.

38. Small telephone company credit
Ohio Revised Code 5733.57, effective 2003

During tax years 2005-2009, small telephone local exchange carrier companies may take a nonrefundable credit for the excess of corporate franchise tax paid over the amount of public utility excise tax that would have been paid. The full credit is available in tax year 2005 but declines thereafter; it is eliminated beginning in tax year 2010.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

39. Credit for non-recurring 911 service expenses
Ohio Revised Code 5733.55, effective 2003

Telephone companies are allowed a credit against their corporate franchise tax for approved non-recurring 9-1-1 emergency expenses.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A),(B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

40. Credit for programs to aid the communicatively impaired

Ohio Revised Code 5733.56, effective 2003

A telephone company that provides any telephone service program to aid the communicatively impaired shall be allowed a credit against their corporation franchise tax liability equal to the cost of providing such a program.

	Projected Revenue Gain from the Repeal of Tax Expenditure
FY 2006	$6.3 million
FY 2007	$6.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $6.3 million. In fiscal year 2007, the value is estimated at $6.3 million.

Alcoholic Beverage Tax

In 1933, the year prohibition was repealed, the Department of Liquor Control was created and the General Assembly enacted tax levies on beer, wine, and other non-spirituous beverages. A liquor gallonage tax was added a year later. As of July 1, 1997, the Department of Liquor Control was changed to a division and was transferred to the Department of Commerce. The Division of Liquor Control administers the liquor gallonage tax. The Department of Taxation administers the tax on all other alcoholic beverages.

Tax Base

Sales by volume of the following non-spirituous beverages: beer, malt liquor, wine, mixed beverages and malt.

Tax Rates

Beer	
Barrel (31 gallons)	$5.58
Containers (over 12 oz.) per 6 ounces	0.84 cent
Containers (12 oz. or less) per ounce	0.14 cent
Wine	
Less than 14% alcohol by volume	32 cents per gallon
14% to 21% alcohol by volume	$1.00 per gallon
Vermouth	$1.10 per gallon
Sparkling Wine, Champagne	$1.50 per gallon
Mixed Beverages	$1.20 per gallon

Alcoholic Beverage Tax Expenditures

The estimates shown below reflect the estimated revenue gain to the state general revenue fund if the tax expenditures were repealed as of July 1, 2005.

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from returns filed with the Department of Taxation.

NOTE: See page 4 for description of data source codes.

41. Advanced payment credit/discount
Ohio Revised Code 4303.33, effective 1963

Beer and malt beverage permit holders are eligible to receive a three percent credit on advance payments made on or before the 18th of the covered month. In addition, beer and malt beverage permit holders can receive a discount equal to the lesser of three percent of the payment remaining after deducting the advanced payment, or three-percent of the advanced payment, as long as the full monthly payment is received on or before the 10th of the month for the previous month's liability. Wine and mixed beverage permit holders are eligible to receive a three-percent credit on payments made on or before the 18th of the previous month's tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.3 million
FY 2007	$1.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.3 million. In fiscal year 2007, the value is estimated at $1.3 million.

42. Sacramental wine exemption
Ohio Revised Code 4301.23, effective 1937

Sacramental wine used in religious rites is exempt from the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact..

43. Small brewer's credit
Ohio Revised Code 4303.332, effective 1982

Licensed Ohio beer producers whose total production of beer and malt beverages, regardless of production location, is less than 31 million gallons per year are eligible for a credit (or refund) against the alcoholic beverage tax. The amount of the credit is equal to the excise tax paid on beer/ malt beverages distributed in Ohio with a maximum credit up to 9.3 million gallons. The taxpayer receives the credit in the year following payment of the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

44. Small wine producer's exemption
Ohio Revised Code 4303.333, effective 1982

Licensed Ohio wine producers whose Ohio sales do not exceed 500,000 gallons a calendar year are eligible for an exemption from the alcoholic beverage tax. The amount of the exemption is equal to the entire excise tax payment minus two cents per gallon. The taxpayer receives the exemption in the year following payment of the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

The excise tax on cigarettes was first levied in 1931. The tax rate ranged from its original 2 cents per pack to 15 cents in 1971. The rate was reduced to 14 cents per pack in 1981 and cigarette sales became subject to the sales tax. The rate was increased to 24 cents per pack in January, 1993. The current rate of 55 cents per pack became effective July 1, 2002.

The excise tax on other tobacco products was levied beginning February, 1993. The current rate is 17 percent of wholesale price.

Tax Base
The sale, use, consumption, or storage of cigarettes in Ohio.

Tax Rate
2.75 cents per cigarette (55 cents per package of 20 cigarettes).

Cigarette and Other Tobacco Products Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue gain to the state general revenue fund if the tax expenditures were repealed as of July 1, 2005.

NOTE: See page 4 for description of data source codes.

45. Discount for tax stamps

Ohio Revised Code 5743.05, effective 1934, revised 2001

Cigarette excise taxpayers are eligible to receive a discount when purchasing cigarette excise tax stamps or meter impressions as a commission for affixing and canceling the stamps or meter impressions. The value of this discount is not less than 1.8 percent or more than 10 percent of the face value of the tax stamps and meter impressions. The current rate of this discount is 1.8 percent. Cigarette excise taxpayers shall not receive this tax stamp discount when payments are made when filing a monthly or semi-monthly return.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$10.2 million
FY 2007	$10.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $10.2 million. In fiscal year 2007, the value is estimated at $10.3 million.

46. Discount for timely payment of other tobacco products' excise tax

Ohio Revised Code 5743.52, effective 1993

Wholesalers and retailers of other tobacco products (i.e., cigars, snuff, chewing tobacco, rolling tobacco, etc.) are eligible for a 2.5% percent discount for the timely payment of their other tobacco products excise tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

The public utility excise tax is levied on companies classified by statute as public utilities. Originally enacted in 1894, the present tax structure was established in 1911. Historically, electric, natural gas and local telephone companies have accounted for the bulk of total public utility excise tax revenue collections. However, in 2001, electric and rural electric companies became subject to the kilowatt hour tax and electric companies also became subject to the corporate franchise tax (Am. Sub. Senate Bill 3, 123rd General Assembly), and these entities were no longer subject to the public utility excise tax. Also in 2001, natural gas companies began to pay their public utility excise tax on a different schedule (Am. Sub. Senate Bill 215, 123rd General Assembly) and became subject to the natural gas consumption tax (Am. Sub. Senate Bill 287, 123rd General Assembly). In 2005, telephone companies became subject to the corporate franchise tax (Am. Sub. House Bill 95, 125th General Assembly).

Tax Base

Gross receipts for all utilities.

Tax Rates

All utilities pay a rate of 4.75 percent, except pipeline companies pay 6.75 percent.

Public Utility Excise Tax Expenditures

The estimates shown below reflect the estimated revenue gain to all state funds - specifically the general revenue fund, the local government fund, and the local government revenue assistance fund - if the tax expenditure were repealed as of July 1, 2005. It is assumed that the repeal of a tax expenditure would have a full year's revenue effect in FY 2006 due to the payment method of the public utilities involved.

Data are primarily from public utility tax returns and other sources from the Ohio Department of Taxation. Data from the 1997 economic census (US Census Bureau) were also used.

47. Exemption for municipal utilities and non-profit waterworks
Ohio Revised Code 5727.05, effective 1896, 1989

Municipal utilities and non-profit corporations that are engaged exclusively in the treatment, distribution, and sale of water to consumers are exempt from the public utility excise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$78.5 million
FY 2007	$82.3 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $78.5 million. In fiscal year 2007, the value is estimated at $82.3 million.

48. $25,000 exemption from gross receipts for each public utility company
Ohio Revised Code 5727.33, effective 1934

Each public utility company receives an exemption for the first $25,000 of gross receipts for the purposes of the public utility excise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

49. Deduction for sales to other public utilities for resale
Ohio Revised Code 5727.33(B)(4), effective 1961

Public utilities are allowed to deduct sales to other public utilities when the services are to be resold by that public utility.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

50. Credit for certain natural gas companies

Ohio Revised Code 5727.29, effective 2000

Natural gas companies that pay the public utility excise tax on a current-quarter system are granted a tax credit for the transition costs from the previous tax schedule.

	Projected Revenue Gain from the Repeal of Tax Expenditure
FY 2006	$8.6 million
FY 2007	$8.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $8.6 million. In fiscal year 2007, the value is estimated at $8.6 million.

Kilowatt Hour Tax

Am. Sub. Senate Bill 3 (123rd General Assembly) re-structured the electric industry in Ohio. Prior to this bill, electric companies had been subject to the public utility excise tax, and they were subject to higher assessment rates on their tangible personal property than general business taxpayers. Restructuring removed electric companies from the public utility excise tax and subjected them to the corporate franchise tax. It also lowered the assessment rate on much of their tangible personal property. To replace the revenue loss caused by shifting from the utility excise tax to the corporate franchise tax and the reduced property taxes, SB 3 created the kilowatt hour tax. This tax is levied on the electric distribution company and is based upon the end user's consumption of electricity, measured in kilowatt hours. Certain large consumers of electricity may choose to self-assess the tax partially based upon consumption and partially based on price. The kilowatt hour tax (and the self-assessor option) began in May 2001, with the tax first payable to the state in June 2001. Am. Sub. Senate Bill 287 (123rd General Assembly) allowed more taxpayers to self-assess because it lowered the qualifying threshold and capped the taxable consumption portion of the self assessors tax. This bill also expanded the tax exemption to include electricity distributed to qualified regenerators.

Tax Base

Kilowatt Hour Tax Base: Amount of kilowatt hours distributed to the end consumer.

Self-Assessor Option Base: Price per kilowatt hour and consumption measured in kilowatt hours, on the first 504 million kilowatt hours.

Tax Rates

Kilowatt Hour Tax:

Kilowatt Hours Distributed to the End Users per month	Rates per Kilowatt Hour
0 - 2,000 Kilowatts	$0.00465
2,001 - 15,000 Kilowatts	$0.00419
Over 15,000 Kilowatts	$0.00363

Self-Assessor Option Tax:

The sum of 4 percent of price plus 0.75 mills ($0.00075) per kilowatt hour consumed on the first 504 million kilowatt hours of annual consumption.

Kilowatt Hour Tax Expenditure Estimate

The estimate shown below reflects the estimated revenue gain to all state funds - the general revenue fund, the local government fund, the local government revenue assistance fund, the school district property tax replacement fund, and the local government property tax replacement fund - if the tax expenditures were repealed on July 1, 2005. Due to the monthly remittance of kilowatt hour tax, it is assumed that the repeal of a tax expenditure would produce only eleven months' revenue gain for fiscal year 2006.

Data used to estimate the expenditure were primarily from tax return filings and contact with industry, although information from the Energy Information Agency (U.S. Department of Energy) was also used.

NOTE: See page 4 for description of data source codes.

51. Exempts certain end users from the kilowatt hour tax
Ohio Revised Code 5727.81(D), effective 2000

Exempts from the kilowatt hour and the self-assessor option tax the distribution of any kilowatt hours of electricity to certain end users that meet certain requirements in the Ohio Revised Code.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$6.1 million
FY 2007	$7.5 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $7.0 million. In fiscal year 2007, the value is estimated at $7.7 million.

Individual Income Tax

Ohio was first authorized to levy an income tax in 1912 by a constitutional amendment. However, it was 60 years later before the first state individual income tax was enacted in 1972. The income tax was designed to be closely based on federal law to facilitate compliance by the taxpayer and ease of administration by the state.

Tax Base

The amount reported as federal adjusted gross income to the U.S. Internal Revenue Service plus or minus adjustments according to Ohio income tax law.

Tax Rate

Ohio has a graduated income tax with nine rate classes, ranging from under $5,000 to over $200,000. The rate in the bottom class is 0.743 percent and the rate in the top class is 7.5 percent. The tax expenditure estimates assume these statutory tax rates will be in effect in fiscal years 2006 and 2007.

Am. Sub. Senate Bill 261 of the 124th General Assembly provided for the indexing of the personal income tax brackets starting in tax year 2005. This is considered a change in the definition of the tax (similar to a change in the tax rates) and is not considered a tax expenditure, so it is not included in this report.

Individual Income Tax Expenditures

The estimates shown below reflect the estimated revenue gain to all state funds - specifically, the general revenue fund, the local government fund, the local government revenue assistance fund, and the library and local government support fund - if the tax expenditures were repealed as of July 1, 2005. It is assumed that the repeal of a tax expenditure would have no effect in tax year 2005 on those taxpayers whose tax year ends prior to July 1, 2005. Thus, in some cases, the state would not receive a full year's amount of tax revenue in fiscal year 2006 if the tax expenditure were repealed on July 1, 2005.

However, for the most part, it is assumed that personal income taxpayers have a calendar year fiscal year, so that the repeal of a tax expenditure effective July 1, 2005 would have a full fiscal year impact in FY 2006.

In addition, we have attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that would also dampen the potential revenue gain of the repealed tax expenditure.

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from personal income tax returns filed with the Department of Taxation for tax years 2001 and 2002. However, some of the estimates were derived from secondary data sources, such as the Internal Revenue Service and published public finance research.

NOTE: See page 4 for description of data source codes.

Exclusions and Deductions from Income

52. Social security and railroad retirement benefits exemption
Ohio Revised Code 5747.01(A)(5), effective 1972

All social security and railroad retirement benefits included in federal adjusted gross income may be excluded from the calculation of Ohio adjusted gross income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$176.5 million
FY 2007	$182.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $178.2 million. In fiscal year 2007, the value is estimated at $184.5 million.

53. Personal exemption deduction
Ohio Revised Code 5747.025, effective 2002

A deduction of $1,350 may be claimed for the taxpayer, taxpayer's spouse, and each dependent in tax year 2005. This deduction will increase to $1,400 in 2006.

Projected Revenue Gain from Repeal of Tax Expenditure	
FY 2006	$593.0 million
FY 2007	$619.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $593.0 million. In fiscal year 2007, the value is estimated at $619.6 million.

54. Deduction for college savings programs
Ohio Revised Code 5747.01(A)(10) and 5747.70, effective 1999

A taxpayer may receive a deduction, limited to $2,000 per beneficiary, for contributions to either the prepaid tuition or variable college savings programs.

Projected Revenue Gain from Repeal of Tax Expenditure	
FY 2006	$9.1 million
FY 2007	$9.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $9.2 million. In fiscal year 2007, the value is estimated at $9.6 million.

55. Deduction for post secondary education tuition
Ohio Revised Code 5747.01(A)(18), effective 1999

A taxpayer may claim a deduction, limited to $2,500 per year, for certain Ohio residents attending an Ohio qualified school. The deduction is limited to a maximum $5,000 for the first two years of post secondary eduction tuition.

Projected Revenue Gain from Repeal of Tax Expenditure	
FY 2006	$14.8 million
FY 2007	$16.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $15.3 million. In fiscal year 2007, the value is estimated at $16.8 million.

56. Exemption for disability income
Ohio Revised Code 5747.01(A)(4), effective 1975

Disability income included in federal adjusted gross income is excluded from the calculation of Ohio adjusted gross income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$29.0 million
FY 2007	$30.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $29.9 million. In fiscal year 2007, the value is estimated at $30.9 million.

57. Deduction for contributions to medical savings accounts
Ohio Revised Code 5747.01(A)(14), effective 1996

A taxpayer may receive a deduction for contributions to and interest earned by a medical savings account.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

58. Deduction for excess medical expenses
Ohio Revised Code 5747.01(A)(11), effective 1999

Qualifying taxpayers may claim a deduction for excess medical expenses above 7.5% of their federal adjusted gross income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$28.4 million
FY 2007	$29.3 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $44.0 million. In fiscal year 2007, the value is estimated at $45.6 million.

Minimal is defined as below $1,000,000 per year revenue impact.

59. Deduction for taxpayers ineligible for employer-sponsored medical plans
Ohio Revised Code 5747.01(A), effective 1999

Qualifying taxpayers ineligible to participate in an employer-sponsored medical plan may deduct any amounts paid for medical care insurance.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$16.7 million
FY 2007	$17.0 million

Data Source Code: (A),(C)

The value of this tax expenditure in fiscal year 2006 is estimated at $19.7 million. In fiscal year 2007, the value is estimated at $20.0 million.

60. Deduction for long-term care insurance premiums
Ohio Revised Code 5747.01(A), effective 1999

A taxpayer may deduct the full amount of long-term health care (LTC) premiums.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$10.5 million
FY 2007	$11.5 million

Data Source Code: (A),(C)

The value of this tax expenditure in fiscal year 2006 is estimated at $12.3 million. In fiscal year 2007, the value is estimated at $13.6 million.

Credits

61. $20 personal exemption credit
Ohio Revised Code 5747.022, effective 1983

Taxpayer may claim a $20 credit for each personal exemption claimed.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$183.5 million
FY 2007	$184.1 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $191.8 million. In fiscal year 2007, the value is estimated at $192.2 million.

62. $50 senior citizen credit
Ohio Revised Code 5747.05(C), effective 1972

Senior citizens receive a $50 tax credit per return.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$31.2 million
FY 2007	$32.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $35.9 million. In fiscal year 2007, the value is estimated at $37.2 million.

63. Retirement income credit
Ohio Revised Code 5747.055, effective 1983

Taxpayers with qualified retirement income included in Ohio adjusted gross income receive a tax credit up to $200.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$121.9 million
FY 2007	$126.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $139.0 million. In fiscal year 2007, the value is estimated at $143.9 million.

64. Resident credit for income taxed by another state
Ohio Revised Code 5747.05, effective 1972

Ohio residents may claim a credit for taxes paid to another state.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$96.1 million
FY 2007	$99.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $96.1 million. In fiscal year 2007, the value is estimated at $99.5 million.

65. Joint filer credit

Ohio Revised Code 5747.05(G), effective 1973

Taxpayers using married filing joint status may claim a joint filing credit if each spouse has at least $500 in earned income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$269.8 million
FY 2007	$273.1 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $280.0 million. In fiscal year 2007, the value is estimated at $283.1 million.

66. Dependent care credit

Ohio Revised Code Section 5747.054, effective 1988

Taxpayers with qualifying child and dependent care expenses and income below $40,000 can claim a credit based on the federal dependent care credit.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$7.6 million
FY 2007	$7.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $10.4 million. In fiscal year 2007, the value is estimated at $10.8 million.

67. Lump sum retirement income credit

Ohio Revised Code 5747.055(C) through (E), effective 1972

Lump sum distributions received on account of retirement from a qualified retirement plan may be given special tax treatment. The entire balance in the account must be received during one year.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.5 million
FY 2007	$1.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $6.2 million. In fiscal year 2007, the value is estimated at $6.4 million.

68. Lump sum distribution credit
Ohio Revised Code 5747.05(D), effective 1972

A taxpayer aged 65 or over who receives a lump-sum distribution from a pension, retirement, or profit-sharing plan on account of retirement or separation from employment is eligible for a credit of $50 multiplied by the number of expected remaining life years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.4 million. In fiscal year 2007, the value is estimated at $1.4 million.

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69. Displaced worker job training credit
Ohio Revised Code 5747.27 effective 1994

A taxpayer who pays for his or her own job training within 12 months of losing his or her job due to a plant closing may claim a tax credit for the cost of the training. The credit is the lesser of $500 or 50 percent of the cost of training.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.5 million
FY 2007	$1.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.7 million. In fiscal year 2007, the value is estimated at $1.7 million.

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70. Campaign contribution credit
Ohio Revised Code 5747.29, effective 1995

Taxpayers may receive a credit of up to $50 ($100 for a joint return) for campaign contributions to candidates running for statewide office, State Representative, or State Senator.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$4.6 million
FY 2007	$4.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $4.7 million. In fiscal year 2007, the value is estimated at $4.8 million.

Minimal is defined as below $1,000,000 per year revenue impact.

71. Credit for adoption related expenses
Ohio Revised Code 5747.37, effective 1999

Taxpayers participating in a legal adoption can receive a personal income tax credit of up to $500 for adoption related expenses.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

72. Ethanol plant investment credit*
Ohio Revised Code Section 5733.46, 5747.75, effective 2002

Investors in a certified Ohio ethanol production plant may take a nonrefundable credit equal to the lesser of 50 percent of the funds invested in the facility or $5,000.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- $19.8 million
FY 2007 -- $26.5 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $26.5 million. In fiscal year 2007, the value is estimated at $26.5 million.

73. Technology Investment Tax Credit ("Edison Center" Tax Credit)*
Ohio Revised Code Section 5747.33, 5733.35, 5727.41,5707.05, effective 1996

A tax credit is available for investors who provide capital for small, Ohio-based research and development and technology transfer companies.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- $1.3 million
FY 2007 -- $1.3 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.3 million. In fiscal year 2007, the value is estimated at $1.3 million.

* This credit is also available to qualifying corporate franchise taxpayers. The estimated amount of this credit attributable to the franchise tax is included in this estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

The sales and use tax was enacted in 1934 at a rate of three percent and went into effect on January 27, 1935. In 1967 the rate was increased to four percent. After a temporary five percent sales tax rate was imposed during the period of January through June 1981, a permanent five percent rate was adopted in November 1981. Until 1981 the sales and use tax was restricted to the sale or rental of tangible personal property. In November 1981 the tax base was extended to selected services. Since then, additional services have been made subject to sales and use tax. Authority to levy a permissive sales tax was given to counties in 1967, and to transit authorities in 1974.

Am. Sub. HB 95 (125th General Assembly; FY 2004-FY 2005 biennial budget bill) temporarily increased the state sales tax rate from five percent to six percent. This temporary increase was imposed for the period of July 1, 2003 through June 30, 2005 (the FY 2004-FY 2005 biennium). The rate is to revert back to five percent effective July 1, 2005. Therefore, this Tax Expenditure Report assumes the state's rate reverts back to the five percent rate.

Tax Base

The sale and rental of tangible personal property and selected services.

Tax Rate

Five percent. (Permissive sales tax may be imposed in any county at a rate between 0.25 percent and 3.0 percent; such taxes are not reflected in the figures provided in this report.)

Significant Changes Enacted by the 125th General Assembly

Am. Sub. HB 95 (125th General Assembly) made several changes to the sales and use tax expenditures. First, the vendor's discount for timely remittance of sales tax was temporarily increased from 0.75 percent to 0.90 percent of collections during the FY 2004-FY 2005 period. The discount rate is to revert back to the 0.75 percent rate on July 1, 2005, which is the discount rate assumed to be in effect for this report. HB 95 also repealed the tax exemption for tangible personal property used in mine reclamation and the exemption for motor vehicles used in qualified vanpool rideshare agreements, both effective July 1, 2003. In addition, the tax expenditure for WATS/800 number and selected other telecommunications services was also repealed on July 1, 2003.

The bill broadened the tax expenditures for prescription drugs and durable medical equipment, effective July 1, 2003. This was done to accommodate the Streamlined Sales Tax Project. The bill also removed local telephone companies from the tax exemption for tangible personal property used directly in rendering a public utility and placed them in the broader tax exemption for tangible personal property and services used in rendering a telecommunications service. This was done to accommodate the change in taxation of local telephone services, which were removed from the public utility excise tax and subjected to the sales tax. The bill also modified the tax expenditure for transportation of persons and property, as the intra-state transportation of persons (i.e., taxicabs, charter buses, etc) became taxable effective August 1, 2003.

Sales and Use Tax

HB 95 created three new sales tax expenditures. It exempted from the sales tax the sales of telecommunications services used primarily to perform the functions of a qualified call-center. It also exempted sales of tangible personal property and services used for the maintenance and repair of qualified fractionally-owned aircraft. Finally, it caps the tax on the sum of the ownership shares on a qualified fractionally-owned aircraft to $800. All three of these tax expenditures became effective July 1, 2003.

Sales and Use Tax Expenditure Estimates

The estimates shown below reflect the estimated gain to all state funds - specifically the state's General Revenue Fund, the Local Government Fund, and the Local Government Revenue Assistance Fund - if the tax expenditures were repealed as of July 1, 2005. The sales tax expenditures assume 96 percent of a full year's revenue gain would be realized from the repeal of a tax expenditure in FY 2006 due to cash flow considerations.

In addition, the estimates incorporate other factors that would impact the tax expenditure's revenue yield. We have attempted to reflect the impact of taxpayer behavior if the tax expenditure were repealed.[1] Because certain taxpayers may not comply (at least initially) with repeal of the tax credit, exclusion or exemption, we have attempted to factor compliance issues into the estimated revenue yield. We have also attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that would also dampen the potential revenue gain of the repealed tax expenditure.

Numerous data sources were used for these tax expenditure estimates. Predominant use was made of secondary data sources such as: the 1997 economic census and other related economic census data (US Census Bureau); statistical data published by other federal agencies; industry data sources; and information produced by academic, public, and not-for-profit research institutes.

NOTE: See page 4 for description of data source codes.

[1] These estimates reflect only the direct taxpayer behavioral effects on that revenue source if the tax expenditure were repealed. The estimates do not reflect potential "secondary" revenue impacts on other revenue sources that may stem from the economic change engendered by the repealed tax expenditure. That is, each sales and use tax expenditure reflects only the amount of sales and use tax revenue generated from sales and use taxpayers losing the tax expenditure.

74. Copyrighted motion pictures and films
Ohio Revised Code 5739.01(B)(5), effective 1945

Rental or sale of copyrighted motion pictures for exhibition purposes, unless solely used for advertising, is exempt from the sales and use tax. Rentals of videotaped motion pictures, DVDs, or similar items for private home use are taxable.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 and 2007 is minimal.

75. Value of motor vehicle trade-ins
Ohio Revised Code 5739.01(H)(2), effective 1981

The value of vehicles traded-in on the purchase of new motor vehicles is exempt from sales and use tax and may be deducted from the taxable base of the new motor vehicle.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$146.4 million
FY 2007	$163.9 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $167.3 million. In fiscal year 2007, the value is estimated at $179.6 million

76. Refundable deposits on beverage containers
Ohio Revised Code 5739.01(H)(1), effective 1979

Refundable deposits on beverage containers are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.1 million. In fiscal year 2007, the value is estimated at $1.1 million

Minimal is defined as below $1,000,000 per year revenue impact.

77. Tangible personal property used or consumed in commercial fishing

Ohio Revised Code 5739.01(E)(6), effective 1945

Purchases of tangible personal property used or consumed in commercial fishing are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 and 2007 is minimal.

78. Tangible personal property used or consumed in agriculture and mining

Ohio Revised Code 5739.01(E)(2), effective 1935

Purchases of tangible personal property used or consumed directly in producing a product sold by mining, farming, agricultural, horticultural, or floricultural operations or in the production of crude oil, mining, or natural gas are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$118.2 million
FY 2007	$142.3 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $176.4 million. In fiscal year 2007, the value is estimated at $181.1 million.

Minimal is defined as below $1,000,000 per year revenue impact.

79. Tangible personal property used directly in providing public utility services
Ohio Revised Code 5739.02(B)(43), effective 1935, revised 1987, 2000, 2003

Property and fuel used in the production, transportation, or distribution of a public utility service or used in the repair and maintenance of machinery and equipment used directly in providing a public utility service is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$14.6 million
FY 2007	$15.6 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $17.1 million. In fiscal year 2007, the value is estimated at $17.4 million.

80. Tangible personal property used to produce printed materials
Ohio Revised Code 5739.01(E)(7),(8) and (14), effective 1973

Machinery, equipment, and material used in the production for sale of printed, lithographic, photostatic, or other graphic productions or re-productions, and of magazines distributed as controlled circulation publications are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$36.0 million
FY 2007	$41.6 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $181.9 million. In fiscal year 2007, the value is estimated at $190.6 million.

81. Qualified tangible personal property used in making retail sales
Ohio Revised Code 5739.02(B)(36), effective 1935, revised 1992

Sales of advertising material or catalogs used or consumed in making retail sales that price and describe property, and sales to direct marketing vendors of materials to be primarily used in printing advertising material and equipment primarily used to accept orders for direct marketing retail sales, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$58.4 million
FY 2007	$66.1 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $73.9 million. In fiscal year 2007, the value is estimated at $75.7 million.

82. Sales to the state, any of its political subdivisions and to certain other states
Ohio Revised Code 5739.02(B)(1), effective 1935, revised 1994

Sales of supplies, equipment, or any other normally taxable item to the State of Ohio, to any of its political subdivisions, or to any state and its subdivisions that exempt from taxation sales to this state and its subdivisions are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$155.9 million
FY 2007	$161.8 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $165.1 million. In fiscal year 2007, the value is estimated at $164.3 million.

83. Food sold to students on school premises
Ohio Revised Code 5739.02(B)(3), effective 1937

Sales of food to students in a cafeteria, dormitory, fraternity, or sorority maintained in a private, public, or parochial school, college, or university are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$15.7 million
FY 2007	$17.3 million

Data Source Code: (B),(C)

The value of this tax expenditure in fiscal year 2006 is estimated at $19.8 million. In fiscal year 2007, the value is estimated at $20.9 million.

84. Newspapers
Ohio Revised Code 5739.02(B)(4), effective 1935

Newspapers purchased at places of business, vending machines, or through subscription and published at least bi-weekly are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$16.7 million
FY 2007	$18.7 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $20.4 million. In fiscal year 2007, the value is estimated at $20.8 million.

Minimal is defined as below $1,000,000 per year revenue impact.

85. Magazine subscriptions
Ohio Revised Code 5739.02(B)(4), effective 1935, revised 2002

Magazine subscriptions and company newsletters, organizational magazines, or other controlled circulation material are exempt from the sales and use tax. Individual magazine purchases of magazines are taxable.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $16.1 million
FY 2007 ---------- $18.1 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $19.8 million. In fiscal year 2007, the value is estimated at $20.2 million.

86. Casual Sales
Ohio Revised Code 5739.02(B)(8), effective 1935

Sales of used items by persons not engaged in business, except for motor vehicles, watercraft, outboard motors, snowmobiles, and all purpose vehicles are exempt from the sales and use tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $33.0 million
FY 2007 ---------- $37.2 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $373.7 million. In fiscal year 2007, the value is estimated at $403.6 million.

87. Sales by churches and certain non-profit organizations
Ohio Revised Code 5739.02(B)(9), effective 1961

Sales by churches, 501(c)(3) organizations, and to certain other non-profit organizations are exempt from the sales and use tax, if the number of days on which sales are made does not exceed six in any calendar year.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 ---------- $18.9 million
FY 2007 ---------- $22.3 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $22.6 million. In fiscal year 2007, the value is estimated at $24.2 million.

88. Transportation of persons or property

Ohio Revised Code 5739.02(B)(11), effective 1935, revised 2003

Transportation of property and qualified transportation of persons is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$167.4 million
FY 2007	$191.3 million

Data Source Code: (B)

> The value of this tax expenditure in fiscal year 2006 is estimated at $208.3 million. In fiscal year 2007, the value is estimated at $216.3 million.

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89. Sales to churches and certain other types of non-profit organizations

Ohio Revised Code 5739.02(B)(12), effective 1935, revised 1993, 1994

Sales to churches, 501(C)(3) organizations, and certain other types of non-profit organizations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$200.1 million
FY 2007	$225.7 million

Data Source Code: (B)

> The value of this tax expenditure in fiscal year 2006 is estimated at $239.0 million. In fiscal year 2007, the value is estimated at $245.0 million.

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90. Building and construction materials used in tax exempt structures

Ohio Revised Code 5739.02(B)(12), effective 1959, revised 1994

Building and construction material sold to contractors for incorporation into real property constructed for federal, state, and local governments; religious institutions; non-profit organizations; horticultural and livestock industries; and certain other organizations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$149.2 million
FY 2007	$175.1 million

Data Source Code: (B)

> The value of this tax expenditure in fiscal year 2006 is estimated at $213.5 million. In fiscal year 2007, the value is estimated at $227.5 million.

Minimal is defined as below $1,000,000 per year revenue impact.

91. Ships and rail rolling stock used in interstate and foreign commerce
Ohio Revised Code 5739.02(B)(14), effective 1938, revised 1996

Sales of ships, vessels, and rail rolling stock used principally in interstate or foreign commerce, and repairs, alterations, fuel, and lubricants for such ships, vessels, and rail rolling stock are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

92. Packaging and packaging equipment
Ohio Revised Code 5739.02(B)(15), effective 1961, revised 2000

Packaging materials and packaging equipment, including labeling materials and labeling equipment, sold to manufacturers and other qualified businesses are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$275.7 million
FY 2007	$312.6 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $346.7 million. In fiscal year 2007, the value is estimated at $357.1 million.

93. Emergency and fire protection vehicles
Ohio Revised Code 5739.02(B)(20), effective 1965, revised 2000

Sales of emergency and fire protection vehicles and equipment to non-profit organizations for use solely in providing fire protection and emergency services, including trauma care and emergency medical services, to political subdivisions are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

94. Sales of property used in non-profit presentations of music, dramatics, the arts, and related fields

Ohio Revised Code 5739.02(B)(12), effective 1982

Tangible personal property used by non-profit community centers that produce or make presentations in music, dramatics, the arts, and related fields to foster public interest and education therein are exempt from the sales and use tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

95. Motor vehicles sold in Ohio for use outside the state

Ohio Revised Code 5739.02(B)(23), effective 1971

Motor vehicles sold in Ohio to non-residents and immediately removed from Ohio and are registered outside of Ohio are exempt from the sales and use tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 --- $26.3 million
FY 2007 --- $26.8 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $48.2 million. In fiscal year 2007, the value is estimated at $48.6 million.

96. Agricultural property (use on use)

Ohio Revised Code 5739.02(B)(17), effective 1961

Sales to persons engaged in farming, agriculture, horticulture, or floriculture of property that is used directly in the production of property that, in turn, is used directly in the production of a product for sale are exempt from sales and use tax ("use on use").

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

97. Property for use in a retail business outside of Ohio

Ohio Revised Code 5739.02(B)(21), effective 1968

Property manufactured in Ohio and sold to a retailer for use in the retailer's business outside of Ohio is exempt from the sales and use tax if possession of the property is taken in Ohio and immediately removed from the state in a vehicle owned by the purchaser.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

98. Sales to non-commercial educational broadcast stations

Ohio Revised Code 5739.02(B)(12), effective 1981

Sales to non-commercial educational radio or television broadcasting stations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2004	minimal
FY 2005	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

99. Sales of animals by non-profit animal shelters

Ohio Revised Code 5739.02(B)(28), effective 1981

Sales of animals by non-profit animal shelters and county humane societies are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

100. Items used in storing, preparing and serving food
Ohio Revised Code 5739.02(B)(27), effective 1981

Tangible personal property used in preparing, storing, or serving food in a commercial food establishment, and used to clean or maintain such items, is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$7.6 million
FY 2007	$9.1 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $20.5 million. In fiscal year 2007, the value is estimated at $20.9 million.

101. Property used in air, noise, or water pollution control
Ohio Revised Code 5709.25, 6111.37, effective 1965

Tangible personal property used in industrial air, noise, or water pollution control facilities by holders of pollution control certificates is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$2.2 million
FY 2007	$2.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.3 million. In fiscal year 2007, the value is estimated at $2.3 million.

102. Bulk water for residential use
Ohio Revised Code 5739.02(B)(25), effective 1978

Sales of water (mainly delivered by truck to rural areas) for residential use, except for sales of bottled, mineral, or carbonated water, or of ice, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

103. Property used in energy or waste conversion facilities

Ohio Revised Code 5709.501, effective 1978

Tangible personal property used in energy conversion, solid waste conversion, or thermal efficiency improvement facilities by holders of energy conversion or thermal efficiency improvement certificates is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

104. 0.75 percent discount for vendors

Ohio Revised Code 5739.12, 5741.12, effective 1981, revised 1993, 2003

A 0.75 percent discount on sales tax collected by vendors and use tax collected by out-of-state registered sellers is granted if the tax due is remitted by the due date of tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$43.4 million
FY 2007	$45.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $44.9 million. In fiscal year 2007, the value is estimated at $47.1 million.

105. Agricultural land tile and portable grain bins

Ohio Revised Code 5739.02(B)(30) and (31), effective 1985

Land tile for drainage purposes on land used for farming and agriculture, and portable grain bins used by a person engaged in farming or agriculture, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

106. Prescription drugs and selected medical supplies
Ohio Revised Code 5739.02(B)(18), effective 1961, 1981, 2003

Sales of prescription drugs; insulin, urine, blood testing equipment, and hypodermic needles and syringes used by diabetics; epoetin alfa when used for individuals with end-stage renal disease; hospital beds, oxygen, and respiratory equipment used by individuals for medical purposes are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$200.9 million
FY 2007	$247.7 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $413.8 million. In fiscal year 2007, the value is estimated at $463.4 million.

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107. Artificial limbs, prostheses, wheelchairs, and other durable medical equipment
Ohio Revised Code Section 5739.02(B)(19), effective 1973, revised 1978, 2001, 2003

Sales of prosthetic devices, durable medical equipment, for home use, or mobility enhancing equipment when made pursuant to a prescription and when such devices or equipment are for use by a human being are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$5.7 million
FY 2007	$6.6 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $7.2 million. In fiscal year 2007, the value is estimated at $7.5 million.

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108. Property used in preparing eggs for sale
Ohio Revised Code Section 5739.02(B)(24), effective 1974

Equipment and supplies used for the cleaning, sorting, preserving, handling, and packaging of eggs for sale are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.2 million
FY 2007	$1.3 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.6 million. In fiscal year 2007, the value is estimated at $1.6 million.

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109. Sales to veterans' headquarters
Ohio Revised Code Section 5739.02(B)(33), effective 1986

Sales to the state headquarters of any veteran organization chartered by Congress or recognized by the Department of Veterans Affairs are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A), (B)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

110. Property and services sold to providers of telecommunication services
Ohio Revised Code Section 5739.02(B)(34), effective 1987

Sales to a telecommunications service provider of tangible personal property and services used primarily in the provision of such services are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$47.3 million
FY 2007	$46.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $53.3 million. In fiscal year 2007, the value is estimated at $50.6 million.

111. Property used primarily in manufacturing tangible personal property
Ohio Revised Code 5739.01(E)(2) and (9), effective 1935, 1990

Machinery, equipment, supplies, and fuel used primarily in a manufacturing operation to produce tangible personal property, and raw materials incorporated into tangible personal property by manufacturing, assembling, or processing for sale, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2004	$1,794.7 million
FY 2005	$2,054.5 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $4,992.9 million. In fiscal year 2007, the value is estimated at $5,119.8 million.

Minimal is defined as below $1,000,000 per year revenue impact.

112. Investment coins and metal bullion

Ohio Revised Code 5739.02(B)(35), effective 1989

Sales of investment metal bullion and investment coins are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $1.0 million. In fiscal year 2007, the value is estimated at $1.0 million.

113. Value of watercraft trade-ins

Ohio Revised Code 5739.01(H)(3), effective 1990

The value of any watercraft, watercraft and trailer, or outboard motor traded-in on a new or used watercraft or outboard motor sold by a licensed watercraft dealer is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$4.6 million
FY 2007	$4.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $5.1 million. In fiscal year 2007, the value is estimated at $5.3 million.

114. Sales to facilities financed with public hospital bonds

Ohio Revised Code 140.08, effective 1971

Sales to homes for the aged or hospital facilities financed with public hospital bonds are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

115. Tangible personal property used in research and development
Ohio Revised Code 5739.01(E)(11), effective 1993

Qualified tangible personal property used in research and development equipment is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$123.6 million
FY 2007	$128.8 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $134.2 million. In fiscal year 2007, the value is estimated at $134.2 million.

116. Property used in highway transportation for hire
Ohio Revised Code 5739.02(B)(32), effective 1985

The sale, lease, repair, and maintenance of, parts for, and items attached to or incorporated in motor vehicles primarily used in transporting personal property by a person engaged in highway transportation for hire, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$16.1 million
FY 2007	$18.6 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $19.6 million. In fiscal year 2007, the value is estimated at $20.6 million.

117. Property used to fulfill a warranty or service contract
Ohio Revised Code 5739.01(E)(13), effective 1994

Parts and labor used to fulfill a warranty that is provided as part of the price of tangible personal property sold, or to fulfill a warranty, maintenance, or service contract in which the vendor of such warranty or contract agrees to repair or maintain the consumer's tangible personal property, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$44.3 million
FY 2007	$47.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $46.2 million. In fiscal year 2007, the value is estimated at $47.6 million.

118. Equipment used in private warehouses and distribution centers with inventory to be shipped out of state
Ohio Revised Code 5739.01(E)(12), effective 1994

Equipment purchased to use primarily in storing, transporting, mailing, or otherwise handling purchased sales inventory in a warehouse, distribution center or similar facility when the inventory is primarily distributed outside this state either to the retail stores of the person who owns or controls the warehouse or distribution center or to customers when the warehouse is owned by a mail order business, is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$5.7 million
FY 2007	$6.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $7.1 million. In fiscal year 2007, the value is estimated at $7.7 million.

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119. Twenty-five percent sales tax refund for purchases of qualified tangible personal property by electronic information service providers
Ohio Revised Code 5739.071, effective 1993

Electronic information service providers are granted a 25 percent refund of the sales or use tax paid on purchases of computers, computer peripherals, software, telecommunications equipment, and related equipment. The property must be used primarily to acquire, process, or store information for business customers or disseminate information to such customers.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$2.9 million
FY 2007	$2.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.9 million. In fiscal year 2007, the value is estimated at $2.9 million.

120. Sales of computers and computer equipment to certified teachers
Ohio Revised Code 5739.02(B)(39), effective 1997

Sales of personal computers, computer keyboards, computer monitors, modems, and other peripheral computer equipment purchased by a licensed or certified teacher in this state for use by that individual in the preparation for teaching primary or secondary school students are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

121. Sales of qualified tangible personal property to qualified motor racing teams
Ohio Revised Code 5739.02(B)(40), effective 1997

Sales of motor racing vehicles, repair services for motor racing vehicles, and items of property that are attached to or incorporated in motor racing vehicles of professional racing teams are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

122. Drugs distributed to physicians as free samples
Ohio Revised Code 5741.02(C)(7), effective 2001

Drugs distributed to physicians licensed to prescribe, dispense, and administer drugs to a person in the course of professional practice, and that by law may be dispensed only by or upon the order of that physician are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$5.1 million
FY 2007	$5.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $5.6 million. In fiscal year 2007, the value is estimated at $5.9 million.

Minimal is defined as below $1,000,000 per year revenue impact.

123. Qualified used manufactured and mobile homes
Ohio Revised Code 5739.02(B)(41),5741.02(C)(6), effective 2000

Sales of qualified used manufactured and mobile homes are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$1.8 million
FY 2007	$1.9 million

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2006 is estimated at $2.0 million. In fiscal year 2007, the value is estimated at $2.0 million.

124. Sales of tangible personal property and services to providers of electricity
Ohio Revised Code 5739.02(B)(42), effective 2000

Sales of tangible personal property and services to a provider of electricity used or consumed primarily in generating, transmitting, or distributing electricity for use by others, including property that is or is to be incorporated into and will become part of the consumer's production, transmission, or distribution system and that retains its classification of tangible personal property after incorporation; fuel or power used in the production, transmission, and distribution of electricity; and tangible personal property used in the repair and maintenance of the production, transmission, and distribution of electricity are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2004	$188.1 million
FY 2005	$207.4 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2006 is estimated at $212.8 million. In fiscal year 2007, the value is estimated at $225.0 million.

125. Sales of tangible personal property and services for maintenance and repair of qualified fractionally-owned aircraft
Ohio Revised Code 5739.02(B)(45), effective 2003

Sales of services and replacement and modifying parts for engines, airframes, instruments, and interiors in, and paint for, aircraft in a qualified fractional aircraft ownership program are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

126. $800 tax cap on the sum of the shares on a qualified fractionally-owned aircraft
Ohio Revised Code 5739.025(G), effective 2003

The sales tax on the sum of the shares of a qualified fractionally-owned aircraft shall be a maximum of $800 and be allocated to each fractional owner by the percentage of the sales the owner has in that fractionally-owned aircraft.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$3.1 million
FY 2007	$3.5 million

Data Source Code: (A)

> The value of this tax expenditure in fiscal year 2006 is estimated at $3.7 million. In fiscal year 2007, the value is estimated at $3.8 million.

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127. Sales of telecommunications services used primarily to perform the functions of a qualified call center.
Ohio Revised Code 5739.02(B)(46), effective 2003

The sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$45.4 million
FY 2007	$49.0 million

Data Source Code: (A),(B),(C)

> The value of this tax expenditure in fiscal year 2006 is estimated at $54.3 million. In fiscal year 2007, the value is estimated at $54.3 million.

Domestic and Foreign Insurance Premium Tax

The domestic insurance tax was created in 1830 with a 4.0 percent property tax on dividends paid by insurance companies. In 1933, the insurance companies' tax was changed to tax the lesser of 0.2 percent on capital and surplus or 1.67 percent of gross premiums. The franchise tax rate on gross premiums increased to 2.5 percent in 1971. The tax rate on capital and surplus increased to 0.6 percent in 1981.

The foreign insurance tax was created in 1830, with a 4.0 percent property tax on profits from premiums. In 1852, the value of gross premiums (rather than profits from premiums) was subject to the tax. In 1888, a supplemental tax was levied on gross premiums, and when added to the property tax it produced an effective tax rate of 2.5 percent on gross premiums. A direct 2.5 percent gross premiums tax was created in 1902.

Amended Substitute House Bill 215 of the 122nd General Assembly made numerous changes to the domestic and foreign insurance premium taxes, including changes to the rates and bases of the two taxes. These changes were fully phased in by tax year 2003, at which time the two taxes shared the same base (gross premiums) and tax rate (1.4 percent). The bill also established a small insurers' tax credit, along with a minimum tax of $250.

Tax Base
The domestic and foreign insurers' tax base is the gross amount of premiums covering risks in Ohio, less specified deductions.

Tax Rate
Domestic and foreign insurers are taxed at 1.4 percent of gross premiums.

Insurance Premium Tax Expenditure Estimates

Each figure shown below reflects the estimated revenue gain to the state general revenue fund if the tax expenditure were repealed as of July 1, 2005. Insurance companies use a calendar year measurement period for purposes of computing the insurance premium tax. As a result, it is assumed that each taxpayer would be affected by the repealed credits beginning with its fiscal year 2006 tax payments, and thus there would be no corresponding impact on tax revenue cash flow for fiscal year 2006.

Data for these tax expenditures are from special computer runs completed by the Ohio Department of Insurance and from data provided by the Ohio Life and Health Guaranty Association. Assistance was also provided by these organizations regarding the projected growth of these tax expenditures.

NOTE: See page 4 for description of data source codes.

128. Ohio Life and Health Guaranty Association contribution credit
Ohio Revised Code 3956.20, effective 1989

Members of the Ohio Life and Health and Guaranty Association who make contributions to a repayment fund used to pay Ohioans holding insurance policies with bankrupt companies are able to use up to 20 percent of their assessments as a credit on the state franchise or premium tax return for a period of five years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	minimal
FY 2007	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

129. Deduction for premiums received from qualified small business alliances
Ohio Revised Code 1731.07; effective 1993, 1997

Premiums or other charges received from or on the behalf of an enrolled small employer and eligible employees and retirees under a health benefit plan provided by an insurer under a qualified alliance program may be deducted from insurer's gross premiums.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$7.8 million
FY 2007	$8.2 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $7.8 million. In fiscal year 2007, the value is estimated at $8.2 million.

130. Credit for small insurers
Ohio Revised Code 5729.031, effective 1999

A foreign or domestic insurance company or insurance company group, with less than $75 million in premiums sold in all states by the company or group, may take a tax credit of up to $200,000 against their foreign or domestic insurance premium tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$3.9 million
FY 2007	$3.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2006 is estimated at $3.9 million. In fiscal year 2007, the value is estimated at $3.9 million.

Minimal is defined as below $1,000,000 per year revenue impact.

Estate Tax

The inheritance tax was enacted in 1893 and levied on individual successions to property within the estate. In 1968, this inheritance tax was repealed and an estate tax was levied, shifting the tax base from individual heirs to the decedent's estate.

For estates with dates of death on or after January 1, 2002, 80 percent of the tax liability is distributed to the municipal corporation or township in which the assets of the estate are located and 20 percent is distributed to the state.

Tax Base

The taxable estate is the market value of the gross estate less debts and expenses.

Tax Rates

Taxable Estate Value Brackets	Tax Rate Imposed
0 - $ 40,000	2% of Taxable Estate Value
$40,001 - 100,000	$800 + 3% of excess over $40,000
100,001 - 200,000	1,600 + 4% of excess over 100,000
200,001 - 300,000	2,600 + 5% of excess over 200,000
300,001 - 500,000	11,600 + 6% of excess over 300,000
500,001and over	23,600 + 7% of excess over 500,000

Estates with taxable value at or below $338,333 are exempt from the estate tax due to the maximum $13,900 credit available to each estate.

Estate Tax Expenditure Estimates

Each figure shown below reflects the estimated revenue gain to the state general revenue fund if the tax expenditure were repealed as of July 1, 2005. Estates are required to file a return within nine months of the decedent's date of death, with each estate being granted an automatic extension of three months. The tax is collected at the county level, and then distributed to the state in semi-annual settlements. These two effects would delay any significant state revenue impact until fiscal year 2007.

Data for these estimates are based upon estate tax returns finalized during fiscal year 2004.

NOTE: See page 4 for description of data source codes.

131. $13,900 Credit for each estate
Ohio Revised Code 5731.02 (B), effective 1983, revised 2000

Estates with dates of death on or after January 1, 2002 are allowed a credit equal to the lesser of $13,900 or the amount of the tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$0.0 million
FY 2007	$20.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $48.4 million. In fiscal year 2007, the value is estimated at $52.3 million.

132. Marital deduction
Ohio Revised Code 5731.161, effective 1983

The portion of the estate passed on to the surviving spouse may be deducted from the gross estate value.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$0.0 million
FY 2007	$9.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $24.0 million. In fiscal year 2007, the value is estimated at $24.0 million.

133. Bequests to charitable, religious, etc. organizations
Ohio Revised Code 5731.17, effective 1968

Qualified charitable contributions may be deducted from the gross estate value.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2006	$0.0 million
FY 2007	$2.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $6.8 million. In fiscal year 2007, the value is estimated at $6.8 million.

134. Deduction for qualified family-owned business interests
Ohio Revised Code 5731.20, effective 2000

A deduction of up $675,000 of a decedent's interest in a qualified family-owned business is allowed against the gross estate value.

<u>Projected Revenue Gain from Repeal of Tax Expenditure</u>

FY 2006 -- minimal
FY 2007 -- minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2006 and 2007 is minimal.

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135. Funeral and administration expenses and debts claimed against the estate
Ohio Revised Code 5731.16, effective 1968

Funeral and administration expenses and debts claimed against the estate may be deducted from the gross estate value.

<u>Projected Revenue Gain from Repeal of Tax Expenditure</u>

FY 2006 --- $0.0 million
FY 2007 --- $2.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2006 is estimated at $5.7 million. In fiscal year 2007, the value is estimated at $5.7 million.

Minimal is defined as below $1,000,000 per year revenue impact.