

Dealers in Intangibles Tax Return



2004

Dealers in Intangibles

House Bill 405 passed by the 124th General Assembly made changes to the Ohio Dealers in Intangibles law to clarify who is required to pay the tax and what brokers should include as commissions when determining the percentage allocated to Ohio. Below is an explanation of these changes and the impact they have in completing the 2003 and subsequent tax returns.

Clarification of Taxability of Dealers Wholly Owned By an Insurance Company or Financial Institution

Anyone meeting the definition of a dealer in intangibles must file a tax return regardless if they are affiliated with an insurance company or financial institution. All tax paid by such entities shall only be credited to the General Revenue Fund. **See Ohio Revised Code (O.R.C.) Sections 5725.24 and 5733.45.**

Clarification of How “Commissions” Are Situated Within and Without Ohio

In determining commissions for a broker-dealer, the billing address shall be used to determine where the commission should be situated. **See O.R.C. Section 5725.14(C).**

“All Other Receipts” Are No Longer Considered When Situating “Gross Receipts” for All Dealers in Intangibles

O.R.C. Section 5725.14 no longer requires that a dealer in intangibles include 1% of all other receipts when determining gross receipts.

New True Value Schedule for Stand-alone Computers

Beginning with tax year 2003, there is a new true value schedule for stand-alone computers. Stand-alone computers include computers, as well as related hardware and peripheral equipment, used for general business purposes such as data processing, payroll, tracking sales data, maintaining accounting information and tracking orders. Stand-alone computers do not include computers used as part of the manufacturing process or to provide public utility services or point-of-sale equipment. Computers used in these processes will continue to be valued using the true value schedule for the process.

The new schedule for stand-alone computers is as follows:

Age of Computer (In Years)	True Value Percentage of Original Cost
1	75%
2	60%
3	45%
4	30%
5 or more	15%

General Information and Instructions Relating to Dealers in Intangibles Tax Return

Definition of a Dealer in Intangibles – Section 5725.01(B)

“Dealer in intangibles” includes every person who keeps an office or other place of business in this state and engages at such office or other place in the business of lending money, or discounting, buying or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness, or of buying or selling bonds, stocks or other investment securities, whether on his own account with a view to profit, or as agent or broker for others, with a view to profit or personal earnings. Dealer in intangibles excludes institutions used exclusively for charitable purposes, insurance companies and financial institutions, whether domestic or foreign. Neither causal nor isolated transactions of any of the kinds enumerated in this division of this section, nor the investment of funds as personal accumulations or as business reserves or working capital constitute engaging in business within the meaning of this division of this section; but a person who, having engaged in the business of lending money, or discounting, buying or selling bills of exchange, drafts, acceptances, notes, mortgages or other evidences of indebtedness on his own account, remains in business for the purpose of realizing upon the assets of such business is deemed a dealer in intangibles, though not presently engaged in lending money or discounting or buying such securities.

Filing Requirements

All persons, partnerships, associations and corporations engaged in business as a dealer in intangibles January 1 must file a dealer in intangibles tax return. The return must be filed with the Tax Commissioner, Attn: Personal Property Tax, P.O. Box 530, Columbus, OH 43216-0530 no later than the second Monday of March, or as properly extended.

Extension of Time

The Tax Commissioner may, upon verified request and for good cause shown, extend for a period not exceeding 30 days, the period during which a dealer in intangibles shall file their Tax Form 980, Section 5725.10, O.R.C. A written request for extension of time must be received at the address listed above no later than the second Monday in March; be sure to include the proper business name, address, account number and stated cause. If requesting extensions for a consolidated return, each subsidiary with their FEIN number must be listed within the request.

Penalty for Late Filing

As provided by O.R.C. section 5725.17, a penalty equal to the greater of \$50 per month or fraction of a month, not to exceed \$500, or 5% per month or fraction of a month, not to exceed 50% of the tax required to be shown on the return for each month or fraction of a month elapsing between the due date and the date on which the return is filed.

Payment of Tax

No payment should be submitted with the return. For timely filed and properly extended returns, a statement of tax due will be issued by the Ohio Treasurer of State in early May.

Balance Sheet

The balance sheet on the reverse side of Form 980 must be completed using a list date of December 31st annually (O.R.C. 5725.14).

Consolidated Returns

An incorporated dealer in intangibles who owns or controls 51% or more of the common stock of another incorporated dealer in intangibles may by application request to file a consolidated return with the Tax Commissioner on or before the second Monday in March. If the application is granted all subsidiary dealers in intangibles of 51% or more must be included. When a consolidated return is filed, it must include a list of the subsidiary dealers, FEIN, addresses and a consolidating balance sheet reflecting all subsidiaries and the intercompany eliminations (O.R.C. section 5725.14).

Exhibit A

Exhibit A is used to adjust the net worth of the dealer to its market/fair value at 12/31. Items such as fixed assets, exchange memberships, stocks, investments, real estate and accounts receivable are examples of items listed on the balance sheet that need to be calculated at their market/fair value at 12/31. These items are netted against their book value and the result placed on line 2. The net addition or reduction is added or deducted from line 1. The result is the fair value, which is then carried to the front page of the return in the computation of tax section line 3, rounded to the nearest \$10.

Exhibit B

In case of a dealer principally engaged in the business of lending money or discounting loans, gross receipts will consist of the aggregate amount of loans effected, discounted and renewed.

Exhibit B is used to determine the Ohio percentage of business for dealers in intangibles who generate loan business both in the state of Ohio and everywhere. (Dealers who only operate within the state do not need to complete this section.) The total amount of loan business conducted for the year in Ohio is divided by the total of loan business for the year everywhere. This percentage is then multiplied by the total from line 3 of Exhibit A. This value is then forwarded to the front of the return (line 3) to compute the amount of tax due.

Business may not be allocated within and without Ohio unless the dealer maintains separate office locations both within and without Ohio. Independent agents who solicit business out of Ohio and forward it to an Ohio office must allocate that portion to Ohio. Employees of the dealer who solicit business out of state but report to the Ohio office must also allocate all business to Ohio.

Receipts from business originating in one office and consummated at another office shall be divided equitably between such offices and a special memorandum or schedule must be furnished disclosing the amount of such receipts together with the office location.

Exhibit C

In the case of a dealer engaged primarily in the business of dealing in securities as principal, broker or both, gross receipts shall consist of the aggregate amount of commissions charged for business done at each office, divided by 100% of commissions charged everywhere. The billing address should be used to determine where the commission should be situated. Line 3, Exhibit A, is then multiplied by the percentage obtained from this calculation.

Exhibit D

A dealer in intangibles, who predominately makes loans and carries a reserve on their books for receivables, will use Exhibit D. It is used to establish a fair value for accounts receivable at 12/31 for those who carry a reserve. The formula develops a uniform amount of reserves taken against the gross accounts receivable balance. The calculation first takes the total amount of bad debts charged off for the preceding five years, less total recoveries for the preceding five years. This total is divided by the total amount of loans affected, discounted and renewed for the preceding five years. To the resulting percentage, add .005 as a correction factor. This total percentage will be applied to the gross amount of accounts and notes receivable listed on the current year's balance sheet. The calculated allowable bad debt reserve is compared to the bad debt reserve taken on the current year's balance sheet and the difference between the two is carried to the summary sheet as an increase or decrease to market/fair value.

Form 937DI

The Tax Commissioner has prescribed composite annual allowances for computing the fair value of various depreciable property. For dealers in intangibles, property such as office furniture and equipment, leaseholds and autos have been designated as Class 3 property. Computers and their online peripheral equipment have been designated as having a five-year class life. Tax Form 937DI is used to arrive at the fair value. The rates for those classes are listed below. The increase or decrease from book value to fair value is carried to the summary sheet.

<u>Age</u>	<u>Class 3</u>	<u>Stand-Alone Computer Class</u>
1	93.2	75.0
2	82.8	60.0
3	72.4	45.0
4	62.0	30.0
5	51.5	15.0
6	42.2	15.0
7	36.3	15.0
8	30.5	15.0
9	24.6	15.0
10+	18.8	15.0

Fair Value Claim

In the event the fair value of any item of taxable property is less than the book value as reflected on the balance sheet, a claim in writing must be submitted at the time of filing the tax return. The claim should disclose the reasons and computations for deter-

mining the claimed fair value. The burden of substantiating the claimed fair value rests with the taxpayer.

Exchange Memberships

Memberships and stock exchange seats used in business must be returned at their fair value as of December 31st annually. The difference between the book value and the fair value at 12/31 will be carried to the summary sheet.

Unincorporated Dealers in Intangibles

Unincorporated dealers in intangibles may deduct investments exempt under Ohio law from the value of capital employed, provided such investments are held on December 31. Tax exempt investments include: obligations issued and backed by the federal government, territories or districts; the following Ohio bonds – Vietnam War Bonus, Turnpike, Major Thoroughfare Construction, Bridge Commission, Highway Improvement Construction, Underground Parking, Capital Improvement construction, General Obligation, Public Housing Authority, etc. Municipal bonds are not exempt.

When taxable property has been converted into nontaxable bonds and securities after October 31 and is still held on December 31, the value of the nontaxable bonds and securities as of the date of conversion must be reflected on line 2 of the Computation of Tax on the front page of Form 980.

Form 982

Form 982 is to be submitted by each dealer in intangibles maintaining an office in more than one Ohio county. The taxpayer should list each county it maintains offices in and the total amount of gross receipts for that office. This form does not need to be filed by a qualifying dealer.

Form 984

Form 984 is to be submitted with Tax Return Form 980 for those taxpayers who list investments on line 2 of the balance sheet. This form must list the name of the investment, the book value and the market value of the investment at December 31st. The difference between book and market should be listed on the summary sheet.

Leased Property

Any dealer in intangibles that leases tangible personal property to others or owns such property for the sole purpose of leasing it to others must separately list and return such property under the provisions of O.R.C. chapter 5711. Form 920-A, prescribed by the Tax Commissioner, sets forth the instructions for filing the applicable personal property tax returns.

Information

Any question relative to the filing of dealer in intangibles tax return or the procurement of forms must be addressed to the Department of Taxation, Attn: Personal Property Tax, P.O. Box 530, Columbus, OH 43216-0530 or call 888-644-6778. Visit the department's home page on the Internet at www.ohio.gov/tax for additional forms.

Dealers in Intangibles Tax Return

Consolidated Single County Inter-County Account Number _____

Taxpayer name _____
 Address _____
 City _____ State _____ ZIP _____
 Business name _____
 Ohio county business location _____
 Date business started in Ohio _____
 Description of Ohio business _____
 Taxpayer who filed for 2003 _____

Check here if you are a "qualifying dealer" (see Ohio Revised Code 5725.24 and 5733.45). Generally, a qualifying dealer is a dealer in intangibles that is a subsidiary of a financial institution or insurance company. If you are a qualifying dealer, you do not need to complete Form 982.

Received Stamp

Time Extension Permit
 No. _____ granted
 To April 7, 2004

_____ Ohio charter number _____ Federal employer identification number _____ Social security number

Type of Business: Corporation S Corporation
 Partnership Other

1. Ohio proportion of taxable value of shares or invested capital (from Balance Sheet or Exhibits A, B or C)	_____	_____
2. Value of nontaxable bonds and securities as of date of conversion	_____	_____
3. Total taxable value in Ohio (line 1 plus line 2) rounded to the nearest \$10	_____	_____
4. Tax payable (line 3 multiplied by .008) to nearest .01	\$ _____	\$ _____

Do not send check with this tax return. You will be billed.

5. Penalty	\$ _____	\$ _____
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The Department of Taxation must receive this tax return no later than March 8, 2004.	Pre-Assessment Verification	Data Entry Verification
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Declaration

I/we declare under penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me/us and to the best of my/our knowledge and belief is a true, correct and complete return and report.

Person, other than taxpayer, preparing this return _____	Date _____	Signature of taxpayer _____	Title _____	Date _____
Address _____		Print name of taxpayer _____		Date _____
Phone number _____		Phone number _____		

Balance Sheet as of December 31, 2003

Line No.	Assets	
1.	Cash on hand and in banks	\$ _____
2.	Investments (complete enclosed Form 984)	
	a) Taxable	_____
	b) Nontaxable	_____
3.	Accounts and notes receivable	
	a) Accounts receivable Gross \$ _____	
	Less allowance for bad debts	_____
	b) Installment loans Gross \$ _____	
	Less allowance for bad debts	_____
	c) Lease receivables Gross \$ _____	
	Less allowance for bad debts	_____
	d) Real estate loans Gross \$ _____	
	Less allowance for bad debts	_____
	e) Other receivables Gross \$ _____	
	Less allowance for bad debts	_____
4.	Customers' debit balances	_____
5.	Due from other brokers	_____
6.	Real estate Cost \$ _____	
	Less accumulated depreciation	_____
7.	Leasehold improvements (enclose Form 937DI) Cost \$ _____	
	Less accumulated depreciation	_____
8.	Furniture, fixtures and equipment (enclose Form 937DI) Cost \$ _____	
	Less accumulated depreciation	_____
9.	Leased equipment (see Exhibit E)	_____
10.	Commissions receivable	_____
11.	Memberships (specify)	_____
12.	Deferred charges	
	a) Prepaid expenses	_____
	b) Other	_____
13.	Accrued earnings	_____
14.	Other assets (specify)	_____
15.	Total assets (lines 1 through 14)	\$ _____

Line No.	Liabilities	
16.	Notes and accounts payable	\$ _____
17.	Due to other brokers	_____
18.	Customers' credit balances	_____
19.	Commissions payable	_____
20.	Accrued expenses	_____
21.	Deferred credits	_____
22.	Other liabilities	_____
23.	Total liabilities (lines 16 through 22)	\$ _____
	Capital	
24.	Capital stock (less Treasury shares)	\$ _____
25.	Capital investment (if not incorporated)	_____
26.	Surplus and undivided profits	_____
27.	Partners' credit balances	_____
28.	General reserves (without definite evidence of imminent loss or liability)	_____
29.	Book value of shares or invested capital (lines 24 through 28)	_____
	(Carry amount to applicable Exhibit: Exhibit A, line 1; Exhibit B, line 3; or Exhibit C, line 3.)	
30.	Total liabilities and capital	\$ _____

Exhibit A – Reconciliation of Book Value to the Market or Fair Value of Shares or Invested Capital (O.R.C. Section 5725.15)

Line No.	Item	
1.	Book value of shares or invested capital (B/S line 29)	\$ _____
2.	Increase or decrease to fair or market value (from summary sheet)	\$ _____
3.	Taxable value (carry to page 1, line 1, or line 3, Exhibit B or C below)	\$ _____

Exhibit B – Ohio Proportion of Taxable Value of Shares or Invested Capital (for dealers other than brokers) Enter below the total of loans affected, discounted and renewed during the year ended December 31, 2003.

Line No.	Item	(1) Ohio	(2) Total
1.	Total of loans affected, discounted and renewed	\$	\$ _____
2.	Percentage allocable to Ohio (column 1 ÷ by column 2)	_____ %
3.	Taxable value of shares or invested capital (B/S line 29 or line 3 of Exhibit A)	\$ _____
4.	Ohio proportion of taxable value of shares or invested capital (line 2 x line 3. Carry to page 1, computation of tax, line 3)	\$ _____

Exhibit C – Ohio Proportion of Taxable Value of Shares or Invested Capital (for brokers only)
Enter below the aggregate amounts of all commissions charged during the calendar year ending December 31, 2003.

Line No.	Item	(1) Ohio	(2) Total
1.	Aggregate amount of commissions charged	\$	\$ _____
2.	Percentage allocable to Ohio (column 1 ÷ column 2)	_____ %
3.	Taxable value of shares or invested capital (line 3 of Exhibit A)	\$ _____
4.	Ohio proportion of taxable value of shares or invested capital (line 2 x line 3. Carry to page 1, computation of tax, line 3)	\$ _____

Exhibit D – Each Dealer in Intangibles, Other Than Brokers, Must Furnish the Following Information Relative to Aggregate Amount of Loans Affected, Discounted and Renewed

Calendar Year	Aggregate Amount of Loans Affected, Discounted & Renewed	Bad Debts Charged Off	Recovery of Bad Debts Charged Off
1999			
2000			
2001			
2002			
2003			
Totals			

Dealers in Intangibles

Summary Worksheet for Exhibit A, Line 2

Instructions

This worksheet is a tool to be used to capture all adjustments to fair value at December 31st. It is a gathering worksheet to list the financial book value for all accounts that have an adjustment to bring it to its fair value at December 31st. Compare the financial book value to the fair market value and place the increase or decrease in the difference column. This total is the value, which is placed on line 2 of Exhibit A as a company-wide increase or decrease to arrive at a fair value.

Account	Balance Sheet Value	Fair Market Value	Difference
Investments			
Accounts Receivable			
Real Estate			
Total Fixed Assets			
Memberships			
Net Worth			
Other FMV Adjustments			
Total			

Carry **Total** to Line 2, Exhibit A.

Exhibit E – Leased Equipment

Dealers owning and leasing or holding for lease tangible personal property shall enter a description of the property, including book value, the name of the lessee and the Ohio county where the property is physically located and used in business on December 31, 2003.

Description	Book Value	Lessee	Ohio County Location

Taxpayer Identification

Please type or print the name, address and telephone number of the person to be contacted during our examination of this return.

Name _____ Title _____

Address _____

Telephone number _____

This tax return, and accompanying exhibits, should be received no later than March 8, 2004 by the Department of Taxation. **(Do NOT send payment.)**

Mail to: Ohio Department of Taxation
Personal Property Tax Division
P.O. Box 530
Columbus, OH 43216-0530

– OR –

Deliver to: Rhodes State Office Tower
30 E. Broad Street
21st Floor
Columbus, OH 43215

True Value Computation – Stand-Alone Computers

Form 937DI, True Value Computation, provides a consistent method for determining the aggregate fair value for dealers in intangibles total depreciable assets, company-wide, inside and outside Ohio.

Costs of depreciable property at the end of the previous year are to be shown by year of acquisition for the entire entity (column 2). Additions and disposals occurring during the year are to be entered at cost, across the year in which they were acquired (column 3, column 4). The resulting costs remaining at year-end are then listed (column 5); their total must equal the beginning of the year total plus additions, less disposals. The valuation percentages for the specified class of property are listed in column 6. Each year-end cost is then multiplied by the corresponding valuation percentage and the product placed in column 7. Total column 7 and

that will be the fair value of the depreciable assets. Compare the total fair value of the depreciable assets to the book value of those same assets on the December 31st balance sheet and place the increase or decrease to fair market value on line 2 in Exhibit A of Form 980.

For dealers in intangibles, depreciable property under this class life consists mainly of office computers.

Full costs must be shown. Cost column totals must reconcile with ledger accounts, except that property written off the records but still physically on hand must be included in the computation and properly disposed of but not written off the records should be deducted. These exceptions should be separately identified in the computation.

Sample Computation for 2004 Return Illustrating Application of Stand-Alone Computers

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year Acquired	Cost at End of 12-31-02	Additions	Disposals	Cost at End of 12-31-03	Percent	True Value Amount \$
2003		\$641,310		\$ 641,310	75%	\$ 480,983
2002	\$ 434,040			434,040	60%	260,424
2001	301,032		\$201,032	100,000	45%	45,000
2000	277,736			277,736	30%	83,,321
1999	2,393,633		444,943	1,948,690	15%	292,304
1998 and Prior					15%	
Total	\$3,406,441	\$641,310	\$645,975	\$3,401,776	Fair Value =	\$1,162,032

Carry Total True Value to Summary Sheet.

Stand-Alone Computer True Value Computation

Company:						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year Acquired	Cost at End of 12-31-02	Additions & Transfers In	Disposals & Transfers Out	Cost at End of 12-31-03	Percent	True Value Amount \$
2003					75%	
2002					60%	
2001					45%	
2000					30%	
1999					15%	
1998 & Prior					15%	
Total					Fair/True Value = \$	

True Value Computation – Class Life III

Form 937 DI, True Value Computation, provides a consistent method for determining the aggregate fair value for dealers in intangibles total depreciable assets, company-wide, inside and outside Ohio.

Costs of depreciable property at the end of the previous year are to be shown by year of acquisition for the entire entity (column 2). Additions and disposals occurring during the year are to be entered at cost, across the year in which they were acquired (column 3, column 4). The resulting costs remaining at year-end are then listed (column 5); their total must

equal the beginning of the year total plus additions, less disposals. The valuation percentages for the specified class of property are listed in column 6. Each year and cost is then multiplied by the corresponding valuation percentage and the product placed in column 7. Total column 7 and that will be the fair value of the depreciable assets. Compare the total fair value of the depreciable assets to the book value of those same assets on the December 31st balance sheet and place the increase or decrease to fair market value on summary sheet.

Sample Computation for 2004 Return Illustrating Application of Class III Percentages

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year Acquired	Cost at End of 12-31-02	Additions	Disposals	Cost at End of 12-31-03	Percent	True Value Amount \$
2003		\$641,310		\$ 641,310	93.2%	\$ 597,701
2002	\$ 434,040			434,040	82.8%	359,385
2001	301,032		\$201,032	100,000	72.4%	72,400
2000	277,736			277,736	62.0%	172,196
1999	201,033			201,033	51.5%	103,532
1998	147,001			147,001	42.2%	62,034
1997	421,066			421,066	36.3%	152,847
1996	234,175			234,175	30.5%	71,423
1995	148,622			148,622	24.6%	36,561
1994 & Prior	2,010,836		333,421	1,677,415	18.8%	315,354
Total	\$4,175,541	\$641,310	\$534,453	\$4,282,398	Fair/True Value = \$1,943,433	

Carry Total Fair/True Value to Summary Sheet.

Form 982 Return Year 2004

Name of dealer _____

Address _____

This form must be executed by each dealer in intangibles maintaining an office in more than one county in Ohio. For an explanation of gross receipts, see General Information and Instructions.

Gross Receipts Within the State of Ohio

1	Adams		45	Licking	
2	Allen		46	Logan	
3	Ashland		47	Lorain	
4	Ashtabula		48	Lucas	
5	Athens		49	Madison	
6	Auglaize		50	Mahoning	
7	Belmont		51	Marion	
8	Brown		52	Medina	
9	Butler		53	Meigs	
10	Carroll		54	Mercer	
11	Champaign		55	Miami	
12	Clark		56	Monroe	
13	Clermont		57	Montgomery	
14	Clinton		58	Morgan	
15	Columbiana		59	Morrow	
16	Coshocton		60	Muskingum	
17	Crawford		61	Noble	
18	Cuyahoga		62	Ottawa	
19	Darke		63	Paulding	
20	Defiance		64	Perry	
21	Delaware		65	Pickaway	
22	Erie		66	Pike	
23	Fairfield		67	Portage	
24	Fayette		68	Preble	
25	Franklin		69	Putnam	
26	Fulton		70	Richland	
27	Gallia		71	Ross	
28	Geauga		72	Sandusky	
29	Green		73	Scioto	
30	Guernsey		74	Seneca	
31	Hamilton		75	Shelby	
32	Hancock		76	Stark	
33	Hardin		77	Summit	
34	Harrison		78	Trumbull	
35	Henry		79	Tuscarawas	
36	Highland		80	Union	
37	Hocking		81	Van Wert	
38	Holmes		82	Vinton	
39	Huron		83	Warren	
40	Jackson		84	Washington	
41	Jefferson		85	Wayne	
42	Knox		86	Williams	
43	Lake		87	Wood	
44	Lawrence		88	Wyandot	

Total receipts in Ohio _____

Total receipts without Ohio _____



Ohio Department of
TAXATION
Personal Property Tax Division
P.O. Box 530
Columbus, OH 43216-0530