

Ohio Offering Businesses Tax Amnesty to Raise Awareness of Little-known Use Tax

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Use Tax Amnesty starts October 1st – features no penalty or interest on tax owed.

The Ohio Department of Taxation (ODT) today began mailing the first major batch of invitations to more than 200,000 businesses encouraging them to take advantage of the state's first use (pr. yoose) tax amnesty.

The amnesty will run from October 1, 2011 until May 1, 2013.

It's an opportunity for Ohio businesses to solve a tax problem they may not even know they have.

The use tax is a complement to the sales tax – same tax rate; same tax base – but ODT auditors are finding an increasing number of business taxpayers don't fully understand the tax or even know that they should be paying it.

Tax Commissioner Joe Testa says the goal of the amnesty is to increase awareness of the use tax among business taxpayers and educate them on how it works, "We do collect a significant amount of use tax but much of it comes from companies that have significant accounting and financial resources. It's the smaller companies without that kind of tax expertise on hand that struggle with or overlook use tax. With the amnesty, we're trying to make it as easy as possible for them to get a handle on the use tax."

In general, only suppliers with a physical presence in Ohio are obligated to collect sales tax. If a supplier is out of state, or out of the country, they often do not have to collect Ohio sales tax. That's when the use tax comes into play. If an Ohio company does not pay sales tax on a taxable product or service, then by state law, they are obligated to pay use tax.

The use tax has been law since 1936. It was enacted to protect Ohio businesses whose customers were crossing state lines to avoid paying the recently enacted state sales tax.

Testa says despite its long history, the use tax is a relatively new issue for many businesses, "With the growth of the Internet and mail-order commerce, more and more companies are buying products and services from suppliers outside Ohio who don't collect sales tax. It can be complicated keeping track of what's taxable and what's not. The amnesty is designed to give taxpayers time to build greater understanding of the tax and pay off any outstanding use tax liability at the lowest possible cost."

The use tax amnesty allows businesses that owe use tax to pay back tax incurred since January, 2009 with no penalty or interest. The program also provides the option of entering into a payment plan, if the amount of tax owed exceeds \$1,000.

In exchange, businesses that sign up for amnesty must register for a use tax account and going forward, comply with all provisions of use tax law.

The Ohio Department of Taxation web site – tax.ohio.gov -- provides extensive resources to help business taxpayers learn about the use tax and sign up for the amnesty program if appropriate.

Businesses can also get information and assistance by calling ODT at 1-800-304-3211.

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(News media with further questions please contact Gary Gudmundson, ODT Communications Director at (614) 466-0099.)
