



STATE TAXES  
SALES AND USE TAX

**Taxpayer**

Holders of vendor's licenses, direct-payment permits, and consumer use tax accounts; registered out-of-state sellers; and clerks of court.

**Tax Base**

Sales and rental of tangible personal property, and selected services.

**Rate**

5.5% rate (effective July 1, 2005). Tax is collected based on calculation to the third decimal place and rounded up if the third place is five or greater.

**Major Exemptions**

- Purchases for resale.
- Food for human consumption off the premises where sold.
- Newspapers.
- Magazine subscriptions.
- Motor fuel.
- Sales of natural gas by a natural gas company, and water by a water works company when delivered through pipes or conduits.
- Sales of electricity delivered through wires.
- Prescription drugs.
- Property used primarily in manufacturing or used directly in mining or agriculture.
- Credit for trade-ins on new motor vehicles, new watercraft, and new outboard motors.

**Note:** An exemption for motor vehicle sales to nonresidents was changed in 2007, and sales of motor vehicles, to residents of states that charge sales tax to Ohio residents – specifically Arizona, California, Florida, Indiana, Massachusetts, Michigan, South Carolina, and Washington – became taxable effective August 1, 2007.

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<b>Fiscal Year</b>	<b>General Revenue Fund</b>	<b>Local Funds</b>	<b>Other(1)</b>	<b>Total</b>
2002	\$6,038.0	\$303.3	\$2.2	\$6,343.5
2003	6,397.9	301.3	2.2	6,701.4
2004(2)	7,530.6	301.3	2.8	7,834.7
2005	7,827.1	301.3	2.9	8,131.3
2006	7,368.2	301.3	3.5	7,673.0

**Notes:** (1) Includes Attorney General Claims Fund. (2) Two-year temporary rate increase to 6.0 percent effective July 1, 2003, and expired June 30, 2005. A permanent rate of 5.5% took effect July 1, 2005.

**Disposition of Revenue**

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the local government funds were frozen and each received the same amount of sales and use tax revenue as they received in fiscal year 2001. The remainder was deposited in the General Revenue Fund. This freeze on local government funds was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007.

**Payment Dates***Monthly returns:*

By the 23rd day of the month following the reporting period.

*Semi-annual returns:*

By the 23rd day of the month following the close of the semi-annual reporting period determined by the county of business location; this method of payment may be authorized for vendors and sellers whose tax liability is less than \$1,200 per six month period.

*Quarterly returns:*

Consumer use tax accounts and direct pay accounts by the 23rd day of the month following the reporting period if monthly liability is under \$5,000. Otherwise, consumers must remit tax monthly.

Vendors and out-of-state sellers are allowed a 0.75% discount for timely payment (0.9% for returns filed between July 1, 2003 and June 30, 2007). Payment is required to be made by electronic funds transfer by taxpayers when liabilities equal or exceed \$75,000 a year. These taxpayers must also make accelerated payments on the 15th and 25th of the month.

### **Special Provisions/Credits**

1. Counties and transit authorities may levy additional sales and use tax. (See **Sales and Use Tax – County and Transit Authority** section.)
2. Qualified municipal corporations and townships (see R.C. 5739.101-5739.105) are authorized to levy a resort area tax at the rate of 0.5%, 1.0% or 1.5% on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax: Kelley's Island (1.5%), village of Put-in-Bay (1.5%) and the township of Put-in-Bay (1.5%). The Tax Commissioner administers this tax.
3. The General Assembly in 2002 authorized Ohio to participate in the Streamlined Sales Tax Project, which is a multi-state initiative to make sales tax laws, rules, and systems more uniform across states. The goal is to make it easier for out-of-state sellers to voluntarily collect states' sales taxes (federal law exempts sellers from this unless they have a physical presence, such as a store or a warehouse, in a state). On July 1, 2005, Ohio was approved as an Associate Member State of the Streamlined Sales Tax System effective October 1, 2005.

## **Sections of Ohio Revised Code**

Chapters 5739, 5740, and 5741.

## **Responsibility for Administration**

Tax Commissioner.

## **History of Major Changes**

- 1934 • Enacted a sales tax at a 3.0% rate effective January 1, 1935.
- 1935 • Enacted a use tax at a 3.0% rate effective January 1, 1936.
- 1936 • Food sold for human consumption off the premises exempted.
- 1962 • Use of sales tax stamps discontinued.

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- 1967 • Rate increased to 4.0%. Cigarettes and beer made taxable.
- 1971 • Cigarettes exempted.
- 1981 • Rate increased to 5.0%; cigarettes, repairs, and other selected services made taxable. Credit established for trade-ins on new motor vehicles.
- 1983 • Business data processing services made taxable.
- 1987 • Purchases made with food stamps exempted.
  - Long distance telecommunications service made taxable.
- 1989 • Investment coin and bullion purchases exempted.
- 1990 • Credit established for trade-ins on new or used watercraft.
  - Tangible personal property primarily used in manufacturing operations exempted (replaced manufacturers' direct use exemption).
- 1991 • Lawn care, landscaping, private investigation, and security services made taxable.
- 1993 • Building cleaning and maintenance, exterminating, employment agency, and personnel supply service made taxable.
  - Physical fitness facilities and recreation and sports club memberships made taxable.
  - Vendor discount decreased from 1.5% to 0.75% of tax collections.
  - Tax exemption for property used in making a retail sale defined more narrowly.
  - Property and third party labor used to fulfill a warrant or service contract made taxable.
  - Tax exemption for food service operations defined more narrowly.
  - Tax exemption for qualified property used in research and development established.
  - Tax exemption for nonprofit scientific organizations established.
  - Qualified municipal corporations and townships authorized to levy a resort area tax.
- 1994 • Tax exemption for property and third party labor used to fulfill a warranty or service contract reinstated.
  - Tax exemption provided for equipment used to handle tangible personal property temporarily stored in certain types of warehouses before being sent out of state.
  - Tax exemption provided for reciprocity of purchase between Ohio and other states.
  - Tax exemption provided for purchases by organizations defined under Internal Revenue Code 501(c)(3).

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- Tax exemption provided for purchases of building and construction materials to be incorporated into a horticulture or livestock structure.
- 1995 • Clarified that levying of state sales tax on sports and recreation club services does not prevent a municipality from levying admissions tax on same entities.
- 1996 • Motor vehicle dealers allowed to take the 0.75% discount up front when paying sales and use taxes to clerks of court.
- Poundage fee given to clerks of court for receiving and distributing sales tax from motor vehicle sales increased to 1.01%.
  - Tax exemption provided on sales and repairs to rail rolling stock used in interstate or international commerce.
- 1997 • Tax exemption provided on sales of personal computers and qualified equipment to licensed and certified teachers.
- Tax exemption provided on some purchases made by service providers who permanently transfer personal property to consumers in conjunction with providing taxable services.
- 1999 • The sales of used manufactured and mobile homes in Ohio made on or after January 1, 2000 not subject to the sales and use tax. Also, for the purposes of the sales and use tax, sale of a new manufactured or mobile home on or after January 1, 2000 not considered a motor vehicle sale.
- Pre-paid authorization numbers used to make phone calls or pre-paid calling cards made subject to sales tax at the point of sale. Telephone services paid for using pre-paid authorization numbers or pre-paid calling cards are not subject to sales tax.
  - Use tax exemption provided for sellers of prescription drugs for drug samples distributed free of charge to doctors, dentists, and certain other medical practitioners, effective July 1, 2001.
  - Various changes to sales tax law made to accommodate electric utility deregulation. Effective date for these changes was October 5, 1999.
- 2000 • Exemption added for labeling and labeling equipment for packaging and packaging equipment.
- Changed the definition of exempted casual sales to include items that had been subjected to the taxing jurisdiction of another state.
  - Treatment of charitable nonprofit organizations clarified.
  - Exemption for certain types of energy systems purchased

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- between August 14, 1979 to December 31, 1983 (as it no longer applied) repealed.
- Liquor permit holders required to have the liquor license in the same name that is on the vendor's license.
  - The limited vendor's license eliminated. The transient vendor's license made to include those vendors that previously were required to obtain the limited vendor's license.
  - Reduced the transient vendor's license fee from \$100 to \$25.
  - Tax Commissioner given the authority to discuss streamlining the sales tax with other states.
- 2001
- Excluded coin-operated telephone services from the definition of taxable telecommunications services.
  - Revenue distribution to both local government funds temporarily changed.
  - Effective January 1, 2002, certain duties of the Ohio Treasurer of State transferred to the Tax Commissioner.
  - Exemption of fire protection and emergency vehicles and equipment expanded.
  - The sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses required to be paid upon consummation of the lease.
- 2002
- Authorized participation in the multi-state Streamlined Sales Tax Project.
  - Allowed refunds directly to consumers when the consumer illegally or erroneously paid tax to the vendor.
- 2003
- Increased rate from 5.0% percent to 6.0% for the period July 1, 2003 to June 30, 2005. Vendor discount increased from 0.75% to 0.9% for the same period.
  - Imposed tax on laundry and dry cleaning services, satellite broadcasting service, personal care services, intrastate transportation of persons by motor vehicle or aircraft, motor vehicle towing service, snow removal service, and storage of tangible personal property, effective August 1, 2003.
  - Included delivery charges as part of the price of a taxable sale, effective July 1, 2003.
  - Repealed exemption for WATS, 800-number and WATS-type telecommunications, and private communications service, effective July 1, 2003.
  - Exempted telecommunications service used to perform the functions of a call center, effective July 1, 2003.
  - Required accelerated payments of tax from taxpayers that are required to pay tax by electronic funds transfer.



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- Raised threshold for requiring taxpayers to pay tax by electronic funds transfer from \$60,000 annual tax liability to \$75,000.
  - Changed some definitions of food, beverages, and medical supplies to conform to the provisions of the multi-state Streamlined Sales Tax Project.
- 2004 • Sourcing of delivery sales under the Streamlined Sales Tax Project to collect the sales tax in effect at the delivery location delayed until July 1, 2005. Separate law initially permitted voluntary implementation as of January 1, 2005 and phase-in between January 1 and July 1, 2005 and allowed for compensation for transition costs for smaller vendors; later law delayed phase-in until between January 1, 2006 and January 1, 2008.
- 2005 • Rate reduced from 6.0% to 5.5% effective July 1, 2005. Temporary discount rate of 0.9% extended through June 30, 2007. Revised various telecommunications service definitions so they conform with the provisions of the Streamlined Sales and Use Tax Agreement (SSUTA) effective July 1, 2005. Revised definition of “price” to address coupons, rebates and buy-downs effective July 1, 2005. Adopted definition of “bundled transaction” to conform to the SSUTA effective January 1, 2006.
- 2006 • Added an exclusion from the definition of employment services for transactions where the service was resold.
- Exempted from use tax property withdrawn from inventory and donated to a charitable organization.
  - Delayed mandatory conversion to destination sourcing for all vendors until January 1, 2008.

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**Comparisons with Other States** (As of 05/07)

State	State Tax Rate	Local Tax Rate(1)	Maximum Rate In Effect Including Local Rate
California	6.25%	2.50%	8.75%
Florida	6.00	1.50	7.50
Illinois	6.25	3.00	9.25
Indiana(2)	6.00	0.00	6.00
Kentucky	6.00	0.00	6.00
Massachusetts	5.00	0.00	5.00
Michigan	6.00	0.00	6.00
New Jersey(3)	7.00	0.00	7.00
New York	4.00	5.00	9.00
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia(4)	6.00	0.00	6.00

**Notes:** (1) Rate shown is the highest combined total local district/county rate currently in effect in the state. (2) Local governments have permissive authority to levy a local sales tax at a rate up to 1.0% on food and beverages that are prepared and consumed on-site. (3) In designated Urban Enterprise Zones, the rate on certain items is assessed at 50% of the usual rate (or 3.50%). (4) The tax on sales of food ingredients intended for human consumption (but not prepared food) is 5.0%.