Property Tax – Tangible Personal Property

Taxpayer

Through 2008, this tax applied to taxpayers who owned and used tangible personal property in business in Ohio. For the vast majority of businesses, this tax ended once final payments were due in September 2008.

The tax continued to apply to telephone companies and inter-exchange telecommunications companies through 2010. Beginning Jan. 1, 2007, such companies were classified as general business taxpayers instead of public utilities. For these taxpayers, the tax was gradually phased out according to a different schedule that lasted through 2010.

Tax Base

The base of the tax was tangible personal property used in business in Ohio, including machinery, equipment, furniture and fixtures, and inventories.

For general businesses, the tangible personal property tax was phased out over a four-year period beginning on Jan. 1, 2006. This was done through a gradual reduction in the percentage of true value at which personal property was listed for tax purposes – from 25 percent to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

For telephone company and inter-exchange telecommunications company personal property, the tax was phased out according to a four-year schedule beginning on Jan. 1, 2007. The listing percentage was 20 percent for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. Starting in 2011, it will be zero percent.

Rates

Tax rates vary with the taxing jurisdiction. The rate applied to tangible personal property values was gross millage – the full voted and unvoted tax rates, without the application of "tax reduction factors" that produce lower "effective" tax rates for real property. The 2010 average tax rate on property subject to the general tangible personal property tax was 88.40 mills.

Major Exemptions

The tax did not apply to:

- Personal property used in agriculture.
- Patterns, jigs, dies, and drawings used in business that are held for use and not for sale.
- The first $10,000 of taxable value for each taxpayer (this provision did not apply to telephone and inter-exchange telecommunications companies).
- Property of any level of government, school, college, church, and property owned and not used in business.
- Licensed motor vehicles and aircraft.
- Certified air, water, and noise pollution control equipment and facilities.
- Property of insurance companies, financial institutions, and dealers in intangibles used in their business is exempt unless the equipment is leased to others.
- Leased property used exclusively for agricultural purposes.
- Qualified personal property located in an enterprise zone.
- Qualifying manufacturing machinery and equipment first placed in service in Ohio on or after Jan. 1, 2005.
- Machinery and equipment while under installation or construction in a plant or facility and not capable of operation.

Revenue

(In Millions)

Calendar Year	Net Taxes Levied	$10,000 Exemption Reimbursements
2006	$1,345.2	$38.3
2007	1,002.3	30.6
2008	539.7	15.3
2009	55.1	0.0
2010	28.4	0.0

Disposition of Revenue

Revenue was distributed to the counties, municipalities, townships, and school districts according to the taxable values and total millage levied by each. Statewide, school districts receive about 70 percent of total personal property tax revenue.

Payment Dates

Each taxpayer with property in only one county paid to the county treasurer one-half of the tax liability on or before April 30, or June 15 if an extension was granted, and the remainder by Sept. 20.

Each taxpayer with property in more than one county paid to each county treasurer the tax liability in one installment on or before Sept. 20.

Special Provisions/Credits

An exemption of the first $10,000 of taxable value on all tangible personal property was allowed; the local revenue loss was reimbursed by the state through fiscal year 2009, with no reimbursements available after that point.

Companies were able to receive an exemption of up to 75 percent of taxable value for no more than 15 years for tangible personal property used in an enterprise zone located within a municipality. The exemption was limited to 60 percent for zones in unincorporated areas.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, and 5719.

Responsibility for Administration

The Tax Commissioner has exclusive responsibility for returns of taxpayers with property in more than one county. The Tax Commissioner and county auditor have shared responsibility for returns of taxpayers with property in only one county.

History of Major Changes

1846	General Assembly enacts "Kelley Law," which requires that "all property, whether real or personal… unless exempted, shall be subject to taxation." Previously, the legislature had exempted from taxation many forms of personal property, such as tools and machinery.
1851	New state constitution requires that real and personal property be taxed according to uniform rule, except for exemptions specifically permitted by the constitution.
1931	A 1929 amendment to the Ohio constitution takes effect, limiting the principle of taxation by uniform rule to real property rather than all property. The tax on tangible personal property is limited to personal property used in business.
1967	New legislation begins gradually reducing the assessment percentages on property used in agriculture from 50 percent until such property becomes exempt in 1973. Also, the assessment percentages applied to inventories and restaurant property begin falling from 70 percent to 50 percent by 1971.
1971	New legislation begins gradually reducing assessment percentages on inventories from 50 percent to 45 percent by 1974. Also, the assessment percentages for furniture and fixtures are gradually reduced from 70 percent to 50 percent by 1976.
1976	Starting in 1977, under certain annual revenue growth conditions, assessment percentages are scheduled to be reduced by 2 percent each year until reaching 35 percent. (The conditions were satisfied in 1977 and 1978, reducing assessment percentages for inventories from 45 percent to 41 percent and assessment percentages for all other property from 50 percent to 46 percent.)
1978	General Assembly eliminates revenue growth requirements to allow annual reductions in inventory assessment percentages until they reach 35 percent.

1983	Starting in 1984, under certain annual revenue growth conditions, assessment percentages for all tangible property, other than inventories, are scheduled to fall by 1 percent each year until reaching 25 percent. Also, for each taxpayer, the legislature exempts the first $10,000 of taxable value from taxation.
1985	Legislature eliminates growth condition tests; annual reductions of listing percentages become automatic until they reach 25 percent in 1993.
1999	Legislature decides that, beginning in tax year 2002, assessment percentages will fall on inventories by 1 percent annually if annual revenue growth conditions are met. By 2004, the assessment percentage for inventory is set at 23 percent.
2003	Beginning with tax year 2004, taxpayers with a taxable value of less than $10,000 are no longer required to file a return. The state will reimburse local governments and schools for revenue lost due to this exemption through fiscal year 2009. Also, effective for tax years 2005 and 2006, the General Assembly schedules assessment percentages on inventory to fall by 2 percent each year if collections increase. Also, effective for tax year 2007, the inventory assessment percentage will be automatically reduced by 2 percent annually.
2005	General Assembly enacts House Bill 66, which calls for the tangible personal property tax to be phased out over a four-year period. The listing percentage on all tangible personal property including inventory is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter. Also, the listing percentage for manufacturing equipment first used in business in Ohio after Jan. 1, 2005 is zero percent. Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with the personal property tax to be phased out over four years for these taxpayers. The assessment rate is 20 percent for 2007, 15 percent for 2008, 10 percent for 2009, 5 percent for 2010 and zero percent for 2011 and thereafter.
2008	Last bills are due for most general business taxpayers.
2010	Last bills are due for telephone companies and inter-exchange telecommunications companies.

Comparisons with Other States

(As of October, 2010)

Personal property is exempt from taxation in **Illinois** and **Pennsylvania**. Also, like **Ohio** did**, New Jersey** and **New York** only tax certain public utility personal property.

The general personal property tax systems of other comparison states are described below:

California

Tangible personal property is assessed at current fair market value. All property is taxed unless expressly exempt by law (such as inventories). Property is taxed at the aggregate of all lawful local levies, which are limited to 1 percent plus any additional levies required to fund local government debt or real property acquisitions.

Florida

Tangible personal property assessed at market value. A $25,000 exemption applies. Inventories are exempt from taxation. Property is taxed at the aggregate of all lawful local levies.

Indiana

Tangible personal property is assessed at true value unless expressly exempt. Inventories are exempt from taxation. Property is taxed at the aggregate of all lawful local levies.

Kentucky

Tangible personal property is assessed at fair cash value unless expressly exempt. Property is taxed at the aggregate of all lawful state and local levies.

Massachusetts

Tangible personal property is assessed at fair cash value. All property is taxed unless expressly exempt. Property is taxed at the aggregate of all lawful state and local levies. The rate cannot exceed 2.5 percent of cash value unless approved by voter referendum.

Michigan

Tangible personal property is assessed at 50 percent of true cash value. All property is taxed unless expressly exempt (such as inventories and personal property not used to produce income). The tax rate equals the aggregate of all lawful state and local levies. However, the total rate cannot exceed 15 mills, or 1.5 percent, on each dollar of assessed value unless the voters approve a higher rate.

Industrial property receives a 35 percent credit. Industrial personal property is exempt from the 18-mill local school property tax and the 6-mill state education tax; commercial personal property is exempt from 12 mills of the 18-mill local school property tax.

Texas

Tangible personal property is assessed at 100 percent of its appraised value. Property is taxed at the aggregate of all lawful local levies. Property, other than manufactured homes, that is not held or used for production of income is exempt.

West Virginia

Tangible personal property is assessed at 60 percent of its fair market value. Property is taxed at the aggregate of all lawful local levies.