

# Sales & Use Tax

## History of Major Changes

**1934** General Assembly enacts a 3% sales tax effective Jan. 1, 1935.

**1935** Legislature enacts a companion use tax effective Jan. 1, 1936.

**1936** Ohio voters approve a constitutional amendment exempting food for human consumption off the premises where sold.

**1962** The use of sales tax stamps is discontinued.

**1967** Legislature increases rate to 4% and broadens the tax base to include cigarettes and beer.

**1971** Cigarettes again become exempt.

**1980** Senate Bill 448, signed Dec. 19, temporarily increases the state sales tax rate to 5% from Jan. 1 through June 30, 1981.

**1981** House Bill 694, signed on Nov. 15, immediately increases the state sales tax rate from 4% to 5.1%. Some vendors indicate the new rate is incompatible with their registers. House Bill 552, signed on Nov. 24, immediately lowers the state rate to 5%. Other provisions of H.B. 694 stand, including a broadening of the base to again include cigarettes, as well as repairs and other selected services. Other legislation establishes a credit for trade-ins on new motor vehicles.

**1983** Base is broadened to include business data processing services.

**1987** Purchases made with food stamps become exempt from the tax; long distance telecommunications service becomes taxable.

**1990** The legislature exempts tangible personal property primarily used in manufacturing operations from the tax, replacing a direct use exemption for manufacturers. Also, a credit is established for trade-ins on new or used watercraft.

**1991** The tax base is broadened to include lawn care, landscaping, and Private investigation and security services.

**1993** Legislature broadens tax base to include building cleaning and maintenance, exterminating, employment agency, and personnel supply services as well as memberships in physical fitness facilities and recreation and sports clubs. Exemptions are established for qualified property used in research and development and for nonprofit scientific organizations. The vendor discount is lowered from 1.5% to 0.75% of tax collections.

**1994** General Assembly exempts purchases made by organizations defined under Internal Revenue Code 501(c) (3).

**1997** Legislature exempts the sale of personal computers and qualified equipment to licensed and certified teachers.

**1999** The sale of used manufactured and mobile homes becomes exempt effective Jan. 1, 2000. Also, for the purposes of the sales and use tax, the sales of new manufactured or mobile homes are no longer considered motor vehicle sales.

**2000** Legislature reduces transient vendor's license fee from \$100 to \$25. Also, the definition of a casual sale is changed to include items that had been subject to the taxing jurisdiction of another state.

**2001** The application of the sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses is changed so that the tax is paid upon

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consummation of the lease.

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**2002** Senate Bill 200 permits refunds to be issued directly to consumers in cases where the consumer illegally or erroneously paid tax to the vendor.

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**2003** House Bill 95 temporarily increases state sales tax rate from 5% to 6% between July 1, 2003 and June 30, 2005. The vendor discount is temporarily increased from 0.75% to 0.9% during the same period.

Also:

- The tax base is expanded to include laundry and dry cleaning, satellite broadcasting service, personal care services, the intrastate transportation of persons by motor vehicle or aircraft, towing service, snow removal, and the storage of tangible personal property, effective Aug. 1, 2003.
  - The threshold is raised for mandatory payment by electronic funds transfer from \$60,000 annual tax liability to \$75,000 and such taxpayers begin paying on an accelerated schedule.
  - Some definitions of food, beverages, and medical supplies are changed to conform to the provisions of the multistate Streamlined Sales Tax Project.
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**2005** House Bill 1 resets the sales tax rate to 5.5% effective July 1, 2005, and extends the temporary vendor discount rate of 0.9% through June 30, 2007.

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**2006** General Assembly exempts property withdrawn from inventory and donated to a charitable organization from the use tax.

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**2007** Effective January 1, 2007 the discount rate for sales tax returns filed timely is .75% of the tax liability reported.

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**2008** General Assembly enacts House Bill 429, which allows Ohio to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers effective Jan. 1, 2010.

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**2009** Electronic filing of sales tax returns becomes mandatory. General Assembly, in House Bill 1, applies sales tax to monthly Medicaid premiums received by health insuring corporations in lieu of a former 5.5% franchise fee.

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