Ohio's Taxes 2011

A Brief Summary of Major State & Local Taxes in Ohio

John R. Kasich
Governor

Joseph W. Testa
Tax Commissioner

Ohio | Department of Taxation

Ohio's Taxes

A Brief Summary of Major
State & Local Taxes in Ohio

2011 Edition

Prepared by the
Tax Analysis Division and the
Communications Office of the Ohio
Department of Taxation

Joseph W. Testa
Ohio Tax Commissioner

tax.Ohio.gov

Greetings from The Tax Commissioner



I'm pleased to provide you with the 2011 edition of **Ohio's Taxes: A Brief Summary of Major State and Local Taxes in Ohio**.

This publication is designed to serve as a quick reference to state and local taxes in Ohio. It provides the rates, revenues, exemptions and distributions of revenue for all of Ohio's principal state and local taxes. It also offers brief historical information for each tax as well as comparisons to each of Ohio's neighbors and selected other states.

My hope is that you will find this publication to be a handy and useful guide to the structure and essential elements of Ohio's tax system and its critical role in supporting the services and functions that people depend on from their state and local governments.

Sincerely,

Joseph W. Testa
Tax Commissioner

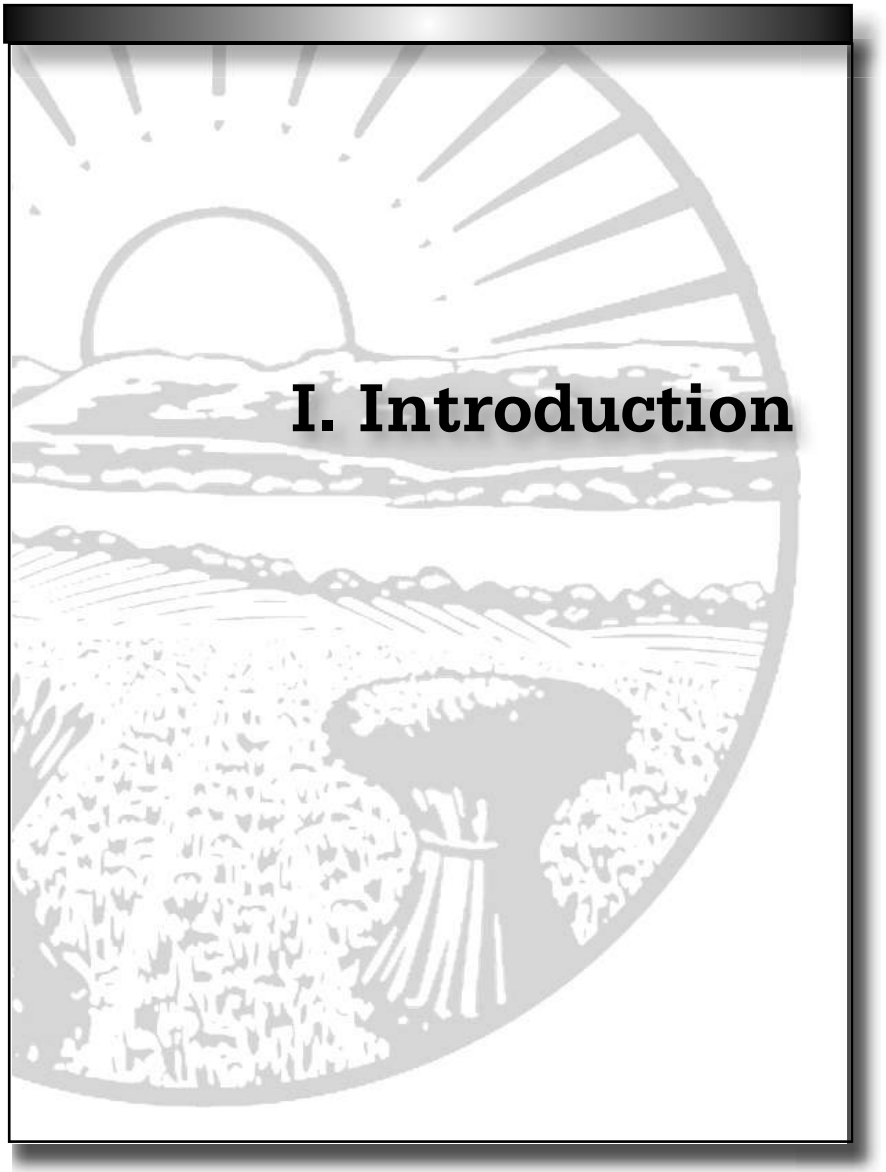
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I. Introduction

Introduction

This Brief Summary is organized to provide a concise but comprehensive description of each of the principal taxes in Ohio.

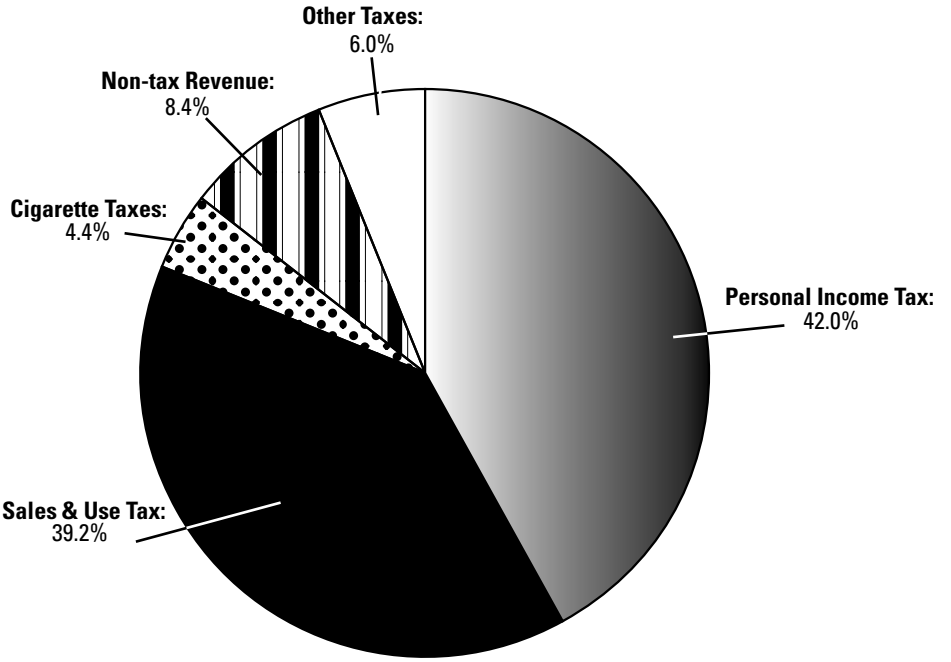
The taxes documented in this book are grouped into two parts: State Taxes and Local Taxes. For each tax, this summary presents information in the following format:

- Taxpayer
- Tax base
- Rates
- Major exemptions
- Revenue for the most current five years
- Disposition of revenue
- Payment dates
- Special provisions and credits
- Primary sections of the Ohio Revised Code
- Responsibility for administration
- History of major changes
- Comparison to similar taxes in other states

The 12 states selected for comparison to Ohio are either neighboring states or are, like Ohio, considered to be large, economically important states.

It is important to note that some taxes may only be imposed and collected by the state, even though the revenue may be shared with local political subdivisions and schools. For taxes permitted to be imposed and collected at the local level, the revenue remains local. Additional information concerning the taxing authority of local governments can be found in the **Introduction to Local Taxes**, in the **Local Taxes** section of this book.

General Revenue Fund Sources 2011 (Excluding Federal Aid)



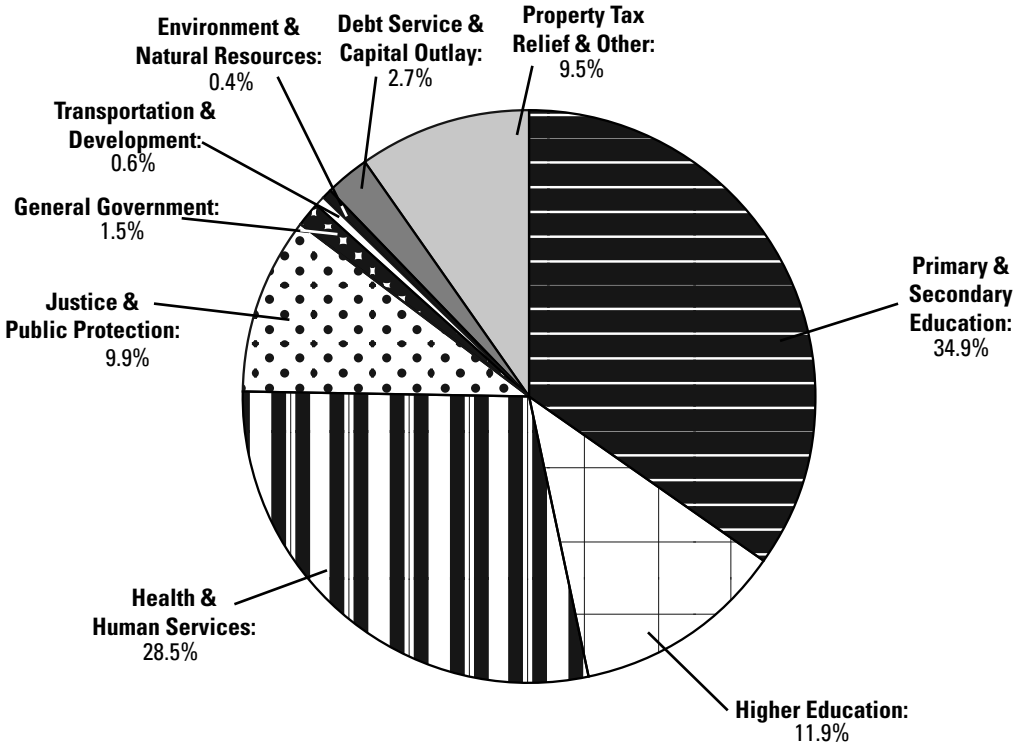
(Dollars In Millions)

NOTE: All amounts are after refunds.

Major Taxes:	**Collections**	
Personal Income Tax	$8,120.3	42.0%
Sales and Use Tax	7,578.2	39.2%
Cigarette Tax	855.6	4.4%
Subtotal: Major Taxes	**$16,554.1**	**85.6%**
Other Taxes:		
Alcoholic Beverage Taxes	92.8	
Corporation Franchise Tax	236.6	
Domestic Insurance Tax	189.4	
Estate Tax	72.1	
Foreign Insurance Tax	256.3	
Intangible Property Tax	26.0	
Kilowatt-Hour Excise Tax	153.9	
Public Utility Excise Tax	124.8	
Subtotal: Other Taxes	**$1,151.9**	**6.0%**
Non-Tax Revenue:		
Earnings on Investment	7.1	
Liquor Profits	153.0	
Miscellaneous[1]	1,468.0	
Subtotal: Non-Tax Revenue	**$1,628.1**	**8.4%**
GRAND TOTAL	**$19,334.1**	**100.0%**

1 Includes certain transfers into the general revenue fund, licenses and fees, and other income.
Source: Ohio Office of Budget and Management.

General Revenue Fund Expenditures 2011 (Excluding Federal Aid)



(Dollars In Millions)

Category	Expenditures	
Primary & Secondary Education	$6,224.7	34.9%
Higher Education	2,123.2	11.9%
Health & Human Services (Including Medicaid)	5,082.1	28.5%
Justice & Public Protection	1,762.7	9.9%
General Government	273.8	1.5%
Transportation & Development	113.6	0.6%
Environment & Natural Resources	71.8	0.4%
Debt Service & Capital Outlay	475.9	2.7%
Property Tax Relief & Other	1,691.0	9.5%
GRAND TOTAL	**$17,818.8**	**100.0%**

Tax Burden Comparisons Among the States

The first table on this page compares the overall state and local tax burden in Ohio to that of 12 other states. The comparisons rely on data compiled by the U.S. Census Bureau documenting tax collections during fiscal year 2009. Tax burdens are compared both on a per capita basis and as a percentage of income. The rankings – 1 through 51 – indicate the states' standing in comparison to all other 50 states as well as the District of Columbia.

States were included in this table either because they neighbor Ohio or because, like Ohio, they are large, economically important states. The same 12 states are used for comparisons throughout this book.

The states with the highest and lowest combined state and local tax burdens are also listed on this page, measured both on a per capita basis and as a percentage of personal income.

State and Local Tax Burdens: Ohio and 12 Comparison States

	Taxes per capita		Taxes as a percentage of personal income	
	Total	Rank	Pct.	Rank
California	$4,588	12	10.5%	15
Florida	3,678	31	9.3	37
Illinois	4,436	15	10.2	21
Indiana	3,696	30	10.7	13
Kentucky	3,210	44	9.9	29
Massachusetts	4,951	8	9.6	33
Michigan	3,627	32	10.2	22
New Jersey	5,816	6	11.2	9
New York	7,018	4	14.3	3
Ohio	**3,812**	**26**	**10.5**	**16**
Pennsylvania	4,099	18	10.1	24
Texas	3,477	34	8.9	41
West Virginia	3,467	35	11.1	11

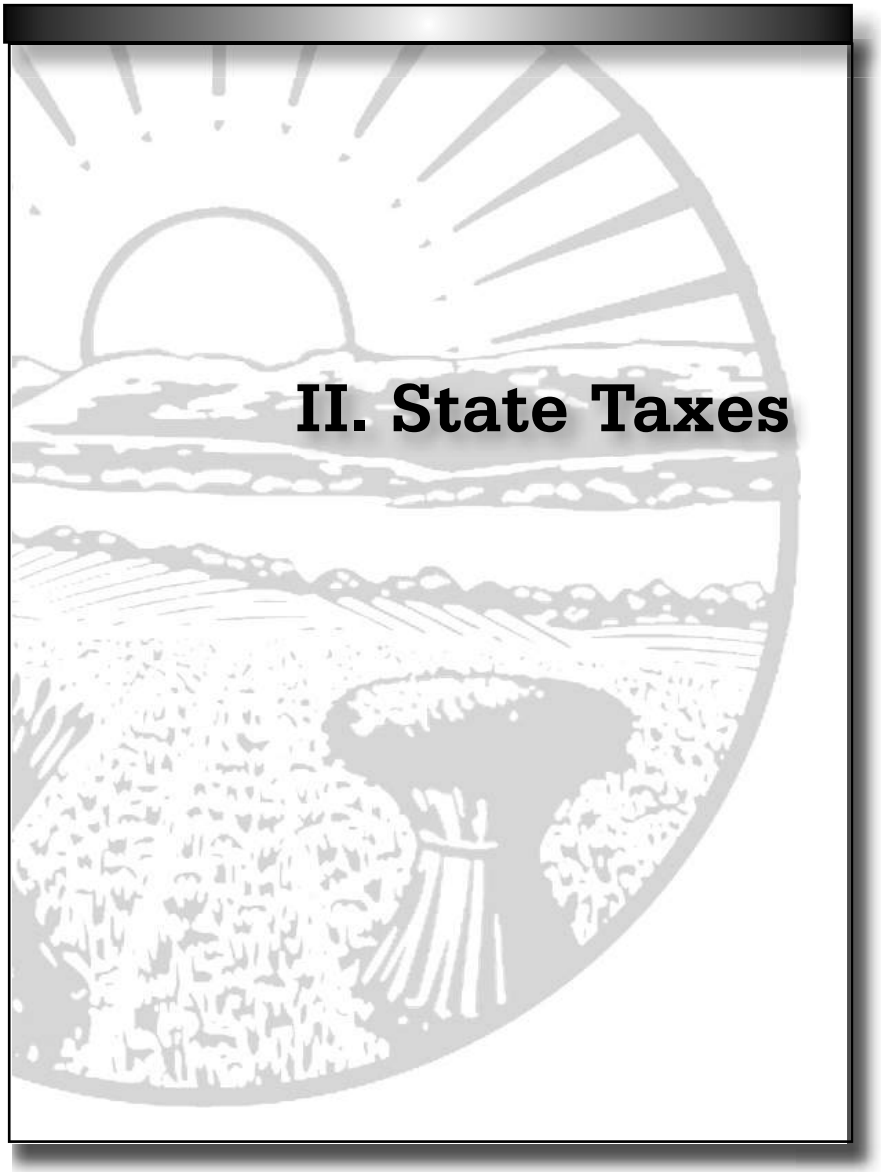
Largest and Smallest Burdens, All States, on a Per Capita Basis

	Total	Rank
Alaska	$9,098	1
South Carolina	2,806	51

Largest and Smallest Burdens, All States, as a Percentage of Personal Income

	Total	Rank
Alaska	20.6%	1
South Dakota	7.9	51

Source: Department of Taxation analysis of data from the U.S. Census Bureau and the Bureau of Economic Analysis. All of the information on this page only applies to tax collections. It does not include revenue from charges, user fees, or special assessments.



II. State Taxes

Alcoholic Beverage Taxes

Taxpayer

The percentage of alcohol in the beverage-determines who the taxpayer will be: It applies to:

- Manufacturers, importers, and wholesale distributors are the taxpayers on beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume.
- The Ohio Department of Commerce's Division of Liquor Control, which is the state's sole purchaser and distributor of liquor containing more than 21 percent alcohol by volume.

Tax Base

Beer, wine, mixed beverages, cider and liquor.

Rates

Beer:	
Barrels (31 gallons)	$5.58 per barrel
Containers (12 oz or less)	0.14 cents per oz.
Containers (more than 12 oz.)	0.84 cents per 6 oz.[1]
Wine:	
Less than 14% alcohol	32 cents per gallon
14% to 21% alcohol	$1.00 per gallon
Vermouth	$1.10 per gallon
Sparkling wine/champagne	$1.50 per gallon
Cider:	24 cents per gallon
MIxed beverages:	$1.20 per gallon
Liquor	$3.38 per gallon

Major Exemptions

- Sacramental wine.
- Sales to the federal government.
- Sales in interstate commerce.
- Small breweries.

Revenue

(In Millions)

Fiscal Year	Beer	Wine & Mixed Beverages	Liquor	Total
2007	$46.9	$10.3	$34.3	$91.5
2008	47.2	10.5	35.0	92.7
2009	47.3	10.7	35.8	93.8
2010	45.9	10.2	36.5	92.6
2011	44.9	11.5	37.6	94.0

Disposition of Revenue

Revenue from all excise taxes on wine, beer, cider and mixed beverages is distributed to the General Revenue Fund except for 5 cents per gallon of the excise tax on wine (including sparkling wine and vermouth), which is distributed to the Ohio Grape Industries Fund. Two cents of the 5 cent Ohio Grape Industries Fund levy is temporary and is scheduled to end on June 30, 2013.

Payment Dates

Payment dates vary according to the type of beverage:

Beer: Advance payment is due on or before the 18th day of each month for that month's estimated tax liability. A monthly payment is due on or before the 10th day of the month for the previous month's liability.

Wine and mixed beverages: A monthly payment is due on or before the 18th day of each month for the previous month's liability.

Liquor gallonage: Payment is due weekly on or before Monday.

Special Provisions/Credits

- Beer taxpayers can receive a 3 percent discount on the amount of their estimated advance payment when filing and paying their return. To receive it, estimated advance payments must be made by the 18th day of the month, and returns are due by the 10th day of the following month.

1 Or fractional portion thereof.

- Wine and mixed beverages taxpayers can receive a 3 percent discount for timely filing of their return and payment of the tax if payment is received by the 18th day of the month.
- Any licensed Ohio brewer whose total production is less than 31 million gallons in a calendar year will receive, in the following year, a credit for the full amount of excise tax on up to 9.3 million gallons of beer distributed in Ohio, and a refund of any excise tax paid.
- Holders of A-2 permits (the standard wine manufacturer permit) are granted an exemption from excise tax for that calendar year and a refund of any excise tax paid if their total production does not exceed 500,000 gallons in a calendar year.
- Holders of B-2Aa permits (for direct shipment of wine to retailers) or S permits (for direct sales of wine to consumers), who may not exceed 250,000 gallons of wine production per calendar year, are exempt from 30 cents of the 32 cents per gallon wine tax.

Sections of Ohio Revised Code

Chapters 131, 4301, 4303, 4305, and 4307.

Responsibility for Administration

- Tax Commissioner (beer, wine and mixed beverages).
- Ohio Department of Commerce, Division of Liquor Control (liquor).

History of Major Changes

1805 General Assembly enacts first saloon license law, permitting counties to charge annual fees of between $4 and $12.

1851 New Ohio constitution prohibits the licensing of liquor traffic, but permits the legislature to "provide against evils resulting therefrom."

1886 After two previous taxes are struck down, the General Assembly enacts the Dow Law, a $200 annual tax on the traffic of liquor and $100 annual tax on the traffic of "malt or vinous" alcohol. Generally, the tax applies to saloons; manufacturers are exempted. Initially, proceeds are split between county treasuries and county poor funds. The Dow Law, framed as an "act providing against the evils" of liquor traffic, withstands constitutional scrutiny.

1888 Dow tax is raised to $250, regardless of type of alcohol. One-fifth of proceeds is directed to the state general revenue fund.

1896 Dow tax is raised to $350; 30 percent of revenue is dedicated to state general revenue fund.

1906 Dow tax is raised to $1,000.

1920 Prohibition begins.

1933 Prohibition ends; the modern taxation of alcohol begins. Beer and malt beverages are taxed at $1 per barrel. Wine is taxed at 10 percent of retail price.

1934 Liquor is taxed at $1 per gallon. Tax on bottled beer and malt beverages is set at 0.75 cents per each six ounces or fractional share thereof.

1935 Mixed beverages are taxed at 10 percent of retail price. Malt beverage tax is increased to $2.50 per barrel.

1939 Mixed beverages are taxed at 40 cents per gallon. Wine tax is revised as follows:
- Wine (less than 14 percent alcohol): 12 cents per gallon
- Wine (14 percent to 21 percent alcohol): 30 cents per gallon
- Vermouth: 60 cents per gallon
- Sparkling wine and champagne: $1 per gallon

1959 Sales of wine and mixed beverages are subjected to sales tax. Beer tax is increased to $2.50 per barrel.

1967 Beer and malt beverages are subjected to sales tax.

1969 New rates are enacted as follows:
- Liquor gallonage: $2.25 per gallon
- Mixed beverages: 80 cents per gallon
- Wine (less than 14 percent): 24 cents per gallon
- Wine (14 to 21 percent): 60 cents per gallon
- Vermouth: 75 cents per gallon
- Sparkling wine and champagne: $1.25 per gallon

1981 Temporary tax increases on beer, malt beverages, wine, and mixed beverages take effect from January to June.

1982 Credit against taxes is enacted for Ohio brewers and wine producers. Wine tax is increased 2 cents per gallon, with 3 cents per gallon earmarked for grape industries. Distinction between "beer" and "malt" beverages is repealed. Tax on beer in containers of 12 ounces or less is changed to 0.125 cents per ounce.

1989 Tax on barreled beer is increased to $3.50 per barrel.

1992 Tax on beer is increased to 0.14 cents per ounce bottled and $5.58 per barrel. Mixed beverage tax is increased to $1.20 per gallon. Wine taxes are increased to the following rates:
- Less than 14 percent alcohol: 32 cents per gallon
- Between 14 and 21 percent alcohol: $1 per gallon
- Sparkling wine: $1.50 per gallon
- Vermouth: $1.10 per gallon

1995 Additional 2 cents of the excise tax on wine is temporarily allocated to the Ohio grape industry special account until July 1, 1999.

1997 Department of Liquor Control is renamed Division of Liquor Control and placed within the Department of Commerce.

1999 Temporary 2 cents per gallon tax on wine for the Ohio Grape Industries Fund is extended until July 1, 2001 (and extended for an additional two years in 2001, 2003, 2005, 2007 and 2009).

2007 General Assembly creates two new permit types, B-2a and S, to allow for the direct shipment of wine by small wineries to retailers and consumers in Ohio.

2008 General Assembly exempts holders of B-2a and S permits from 30 cents of the 32 cents per gallon wine tax and allows for a refund of all but two cents per gallon of the total tax paid by these permit holders, retroactive to Oct. 1, 2007. Also raises the threshold at which wine manufacturers are eligible for these permits from 150,000 gallons to 250,000 gallons.

2011 General Assembly allows an "S" permit holder direct shipment of beer by brand owner, or United States importer, to consumers in Ohio. The first monthly tax return that was affected by these changes was July, 2011 return, which was due August 10, 2011.

Comparisons with Other States

(As of August, 2010)

The percentages in this listing refer to alcohol content, which is measured by volume. Malt beverages include beer. One barrel equals 31 gallons.

California

Rates are as follows:
- Beer: 20 cents per gallon
- Still wines: 20 cents per gallon
- Sparkling hard cider: 20 cents per gallon
- Champagne or sparkling wine: 30 cents per gallon
- Distilled spirits (100 proof or less): $3.30 per gallon
- Distilled spirits (over 100 proof): $6.60 per gallon

Florida

Rates are as follows:
- Malt beverages: 48 cents per gallon
- Ciders: 89 cents per gallon
- Beverages and wine (between 0.5 percent and less than 17.259 percent): $2.25 per gallon
- Beverages, other than wine (17.259 percent to 55.78 percent): $6.50 per gallon
- Beverages (over 55.78 percent): $9.53 per gallon
- Wine (17.259 percent or more): $3 per gallon
- Natural sparkling wine: $3.50 per gallon

Illinois

Rates are as follows:

- Beer and cider (at least 0.5 percent, up to 7 percent): 23.1 cents per gallon
- Alcohol and spirits, including wine (less than 20 percent): $1.39 per gallon
- Alcohol and spirits (20 percent or more): $8.55 per gallon

Indiana

Rates are as follows:

- Beer and hard cider: 11.5 cents per gallon
- Mixed beverages (15 percent or less): 47 cents per gallon
- Wine (less than 21 percent): 47 cents per gallon
- Liquor and wine (21 percent or more): $2.68 per gallon

Kentucky

Rates are as follows:

- Beer: $2.50 per barrel
- Wine: 50 cents per gallon
- Spirits: $1.92 per gallon
- Spirits in half-pint containers: 12 cents each
- Bottled or canned mixed drinks (less than 6 percent): 25 cents per gallon

Massachusetts

Rates are as follows:

- Beer: $3.30 per barrel
- Cider (3 percent to 6 percent) 3 cents per gallon
- Still wine, including vermouth: 55 cents per gallon
- Sparkling wine and champagne: 70 cents per gallon

For other alcoholic beverages, tax rates vary according to the percentage of alcohol by volume, as follows:

- 15 percent or less: $1.10 per gallon
- More than 15 percent, up to 50 percent: $4.05 per gallon
- More than 50 percent: $4.05 per proof gallon

Michigan

Rates are as follows:

- Beer: $6.30 per barrel
- Wine (16 percent or less): 13.5 cents per liter
- Wine (over 16 percent): 20 cents per liter
- Mixed drinks: 48 cents per liter

For liquor, the tax rate varies according to the purpose for which it is sold:

- For consumption on premises: 8 percent of retail price, plus a 4 percent surtax
- For consumption off premises: 9.85 percent of retail price, plus a 4 percent surtax

New Jersey

Rates are as follows:

- Beer: 12 cents per gallon
- Cider (3.2 percent to 7 percent): 15 cents per gallon
- Wines, vermouth, sparkling wines and cider (7 percent or more): 87.5 cents per gallon
- Liquor: $5.50 per gallon

New York

Rates are as follows:

- Beer: 14 cents per gallon
- Wine (still and sparkling): 30 cents per gallon
- Cider: 3.79 cents per gallon

In New York, tax rates on liquor vary according to the percentage of alcohol by volume, as follows:

- Less than 2 percent: 1 cent per liter
- 2 percent to 24 percent: 67 cents per liter
- More than 24 percent: $1.70 per liter

Ohio

(As described in the **Rates** section in this chapter.)

Pennsylvania

Rates are as follows:

- Malt beverages: $2.48 per barrel
- Wine: All wine sales are through state stores; revenue is generated from various taxes, fees, and net profits.
- Liquor: 18 percent of net price

Texas

Rates are as follows:

- Beer: $6 per barrel
- Still wine (14 percent or less): 20.4 cents per gallon
- Still wine (over 14 percent): 40.8 cents per gallon
- Sparkling wine: 51.6 cents per gallon
- Malt liquor (over 4 percent): 19.8 cents per gallon
- Distilled spirits: $2.40 per gallon
- Mixed beverages: 14 percent of gross receipts

West Virginia

Rates are as follows:

- Beer: $5.50 per barrel
- Wine: 26.406 cents per liter
- Liquor: 5 percent of purchase price

Cigarette and Other Tobacco Products Taxes

Taxpayer

For cigarettes, taxpayers consist of cigarette dealers (primarily wholesalers), who must be licensed and who pay the tax by purchasing tax indicia (stamps or impressions). The indicia must be affixed to all packs of cigarettes before sale at retail.

For other tobacco products, the taxpayers are distributors that sell to retail dealers, wholesale dealers, and retail dealers that receive untaxed products.

Tax Base

The base of these taxes is cigarettes and other tobacco products. Other tobacco products include cigars, chewing tobacco, snuff and smoking tobacco, and other products.

Rates

The cigarette tax rate is 6.25 cents per cigarette ($1.25 per pack of 20 cigarettes).

The other tobacco products tax rate is 17 percent of the wholesale price.

Major Exemptions

None.

Revenue

(In Millions)

Fiscal Year	Total
2007	$986.3
2008	950.9
2009	924.8
2010	886.9
2011	855.6

Disposition of Revenue

General Revenue Fund.

Payment Dates

Cigarette dealers file returns on Jan. 31 and July 31. However, most tax payments are remitted as advanced purchases of indicia.

Dealers of other tobacco products file returns by the end of the month for the previous month's liability or by April 30, July 31, Oct. 31, and Jan. 31 for the previous quarter's liability.

Special Provisions/Credits

The Tax Commissioner is required to allow cigarette dealers a minimum discount of 1.8 percent of face value of the purchase of tax stamps or impressions as a commission for affixing and canceling them. The current applicable discount rate is 1.8 percent.

For other tobacco products dealers, a 2.5 percent discount is given for timely payment.

Two local cigarette tax levies are in place in Cuyahoga County. For details, see the **Cigarette Tax – County** chapter.

Sections of Ohio Revised Code

Chapter 5743.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

Year		State rate per 20 pack
1893	Legislature enacts annual tax of $300 on wholesalers and $100 on retailers.	---
1894	Annual tax is lowered to $30 annually for wholesalers and $15 for retailers.	---
1920	Annual tax is hiked to $200 for wholesalers and $50 for retailers.	---
1931	Legislature enacts modern cigarette tax, including use of stamps. Wholesale and retail license fees fall to $100 and $25, respectively.	Two cents
1956	Rate increases by one cent.	Three cents
1959	Rate increases by two cents.	Five cents
1969	Rate increases by five cents.	10 cents

1971	Rate increases by five cents; cigarettes are exempted from sales tax.	15 cents
1981	Rate is cut by one cent; cigarettes again subject to sales tax.	14 cents
1983	Tax is modified to a per-cigarette rate of 0.7 cents.	14 cents
1987	Rate increases by 0.2 cents per cigarette.	18 cents
1991	All cigarette tax revenues are allocated to the General Revenue Fund when capital improvement bonds retired in 1992.	18 cents
1992	Legislature enacts tax on other tobacco products at 17 percent of the wholesale price; cigarette rate increases by 0.3 cents per cigarette.	24 cents
2001	Minimum stamp discount rate is lowered from 3.6 percent to 1.8 percent.	24 cents
2002	General Assembly hikes rate by 1.55 cents per cigarette effective July 1.	55 cents
2005	House Bill 66 includes a rate increase of 3.5 cents per cigarette effective July 1.	$1.25
2009	House Bill 1 increases annual license fees for cigarette wholesalers and tobacco distributors to $1,000 (from $200 and $100, respectively) and for retailers to $125 per place of business (from $30 for the first five places and $25 for each additional place). Sixty percent of this revenue is allocated for enforcement, 30 percent to the political subdivision where the business is located, and 10 percent to the county.	$1.25

Comparisons with Other States

(As of January, 2011)

In the table below, cigarette tax rates are expressed in dollars per pack of 20. Taxes on other tobacco products – such as chewing tobacco and smokeless tobacco products – are expressed as a percentage of the wholesale price, unless noted. Some states apply special tax rates to additional types of tobacco products, such as cigars, rolling papers and loose tobacco; those rates are too numerous to note here.

State	Cigarette rate	Other tobacco products rate
California	$0.87	33.02%
Florida	1.339	85%
Illinois	0.98	18%
Indiana	0.995	24%
Kentucky	0.60	15%[1]
Massachusetts	2.51	30%[2]
Michigan	2.00	32%
New Jersey	2.70	30%[3]
New York	4.35	75%[4]
Ohio	**1.25**	**17%**
Pennsylvania	1.60	none
Texas	1.41	$1.13 per oz
West Virginia	0.55	7%

1 In Kentucky, snuff is taxed at a rate of 19 cents per 1.5 ounce unit.
2 In Massachusetts, snuff and smokeless tobacco is taxed at 90 percent of the wholesale price.
3 In New Jersey, moist snuff is taxed at a rate of 75 cents per ounce.
4 In New York, snuff is taxed at a rate of $2 per ounce.

Commercial Activity Tax (CAT)

Taxpayer

The CAT is paid by any person that has substantial nexus with the State of Ohio and with taxable gross receipts of $150,000 or more in a calendar year. The term "person" includes sole proprietors, partnerships and corporations. It also applies to service providers such as medical professionals, attorneys, and accountants, as well as persons engaged in the sale or rental of property. A person has substantial nexus if they have any one of the following in a calendar year:

- at least $500,000 in taxable gross receipts;
- at least $50,000 in property in Ohio;
- expend at least $50,000 in payroll;
- at least 25 % of their total property, payroll, or gross receipts in Ohio; or
- are domiciled in Ohio.

Tax Base

The CAT is a business privilege tax measured by gross receipts, defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income. Examples of gross receipts include sales, performance of services, and rentals or leases. A taxpayer accounts for gross receipts using the same method of accounting as for federal income tax (i.e., accrual or cash basis).

Rates

- Generally, taxpayers with annual taxable gross receipts of $150,000 or less are not subject to the CAT.
- Taxpayers with annual taxable gross receipts of more than $150,000 are subject to an annual minimum tax of $150.
- Taxpayers with annual taxable gross receipts in excess of $1 million are subject to the annual minimum tax of $150 and also pay tax of .26% measured by the taxable gross receipts above $1 million on a quarterly basis (with a $250,000 quarterly exclusion).

Major Exemptions

The CAT does not apply to:

- nonprofit organizations;
- financial institutions;
- insurance companies;
- affiliates of financial institutions and insurance companies, paying the corporation franchise tax or insurance premiums tax, respectively;
- dealers in intangibles; and
- certain receipts by public utilities that are subject to the public utility excise tax.

Revenue

(In Millions)

Fiscal Year	Total
2007	$594.9
2008	961.4
2009	1,179.4
2010	1,342.1
2011	1,451.6

Disposition of Revenue

In fiscal years 2007 to 2011, 70 percent of CAT revenue was dedicated to the School District Replacement Fund and 30 percent to the Local Government Replacement Fund.

In fiscal year 2012, the General Revenue Fund will receive 25 percent of CAT revenue, and the School District Tangible Property Tax Replacement Fund and Local Government Tangible Property Tax Replacement Fund receive 52.5 percent and 22.5 percent of tax revenue, respectively. In fiscal year 2013 and thereafter, the General Revenue Fund receives 50 percent of CAT revenue, with the School District and Local Government Tangible Property Tax Replacement Funds receiving 35 percent and 15 percent, respectively.

Payment Dates

All persons liable for the CAT must register prior to filing a return. All taxpayers are subject to the annual minimum tax of $150, which is due by May 10th of each year.

Taxpayers with taxable gross receipts greater than $1 million must file quarterly returns. Quarterly returns must be filed electronically through the Ohio Business Gateway on or before the tenth day of the second month after the end of each calendar quarter (May 10, Aug. 10, Nov. 10, and Feb. 10).

Taxpayers with taxable gross receipts less than $1 million file annual returns. The annual return may also be filed electronically but electronic filing is not mandatory as it is with the quarterly return. The annual return is due on or before May 10 of each year. The annual return reports the prior year's taxable gross receipts and pays the annual minimum tax for the current (privilege) year.

Special Provisions and Credits

Eligible taxpayers began accumulating one or all of the following credits against their CAT liability beginning Jan. 1, 2008, and were able to claim these credits beginning July 1, 2008 (on the return due Nov. 9, 2008):

- job creation tax credit.
- job retention tax credit.
- credit for qualified research expenses.
- credit for research and development loan payments.

In addition, a credit for unused franchise tax net operating loss deductions became available starting with the 2010 calendar year.

For more information about these credits, see the **Business Tax Credits** chapter.

Sections of Ohio Revised Code

Chapter 5751.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2005	The CAT is enacted as part of H.B. 66.
2006	Legislation allows for certain corporations to claim an unused tax credit that was previously available against corporation franchise tax. Beginning in 2007, an existing exemption for amounts derived from shipments into or out of a qualified foreign trade zone was replaced with an exemption for certain receipts from the sale of tangible personal property delivered to a "qualified distribution center".
2007	Legislation devoted 70 percent of the CAT revenue to the School District Tangible Property Tax Replacement Fund. Previously, this provision would have expired in FY 2018. The same legislation authorized an alternative method for situsing receipts from services that must be applied in a reasonable, consistent, and uniform manner that is supported by the taxpayer's records as they existed when the service was performed or within a reasonable time thereafter.
2009	In Ohio Grocers Assn. v. Levin, the Ohio Supreme Court reversed the decision made by the Tenth District Court of Appeals and upheld that the CAT "is not a tax on the sale or purchase of food and therefore does not violate the Ohio Constitution." Beginning in 2010, the due date for the annual minimum tax was moved from February to May. Additionally, the quarterly due dates for the CAT returns were moved to the tenth day of the second month following each tax period. Previously, the due date floated based on the calculation of forty days following each tax period.
2010	A legislative change allows a person (in certain situations) who, after completion of the calendar year, was not subject to the CAT because the person's taxable gross receipts were $150,000 or less, to apply for a refund of the previously paid annual minimum tax.

Comparisons with Other States

(As of August, 2010)

None of the states selected for comparison in this publication impose a tax which is exclusively measured by gross receipts. The tax most closely resembling the CAT is the Texas franchise tax ("margin tax") which is based on the lesser of three alternative computations: total receipts less costs of goods sold; total receipts less compensation paid; or total receipts multiplied by 70 percent.

See the **Corporation Franchise Tax** chapter for further comparative information on state business taxes.

Corporation Franchise Tax

Taxpayer

Starting with the 2010 report year, the corporation franchise tax is limited to financial institutions as well as the following specialized entities identified in R.C. 5733.01(G)(1)(b):

- financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

The corporation franchise tax had long served as Ohio's primary business privilege tax, but was phased out for most corporations according to the following schedule:

Report year[1]	Tax[2]
2005	Normal liability
2006	80% × liability
2007	60% × liability
2008	40% × liability
2009	20% × liability
2010 and thereafter	No liability

Tax Base

The corporation franchise tax is an excise tax levied on the value of a corporation's issued and outstanding shares of stock.

Financial institutions pay tax based on their net worth. Other taxpayers determine the value of their stock under both a net income base and a net worth base, and pay on the base that produces the greater tax.

Ohio net worth base (taxable value):

Taxable net worth is calculated by first subtracting the net book value of exempted assets from the net worth as reflected on the corporation's books. Any "qualifying amount" as reflected on the corporation's books is added to net worth. This yields the net value of stock. This amount is then multiplied by the Ohio apportionment ratio to yield taxable net worth.

Ohio net income base (taxable income):

The computation begins with federal taxable income, plus or minus any Ohio adjustments. From this tax base, business income is apportioned to Ohio by the Ohio apportionment ratio, and nonbusiness income is allocated within and without Ohio based upon certain situsing provisions.

The Ohio apportionment ratio is the sum of the property factor (the ratio of property in Ohio to property everywhere, times 20 percent), the payroll factor (the ratio of payroll in Ohio to payroll everywhere, times 20 percent), and the sales factor (the ratio of sales in Ohio to sales everywhere, times 60 percent).

Rates

Financial institutions rate:

Financial institutions are subject to tax on their net worth at a rate of 13 mills (1.3 percent).

Rates for other entities:

Other franchise taxpayers (described in R.C. 5733.01(G)(1)(b)) compute the tax on both a net worth and a net income basis and pay on the base that produces the higher tax.

The general net worth rate is 4 mills on Ohio taxable value. The maximum net worth tax is $150,000 per taxpayer.

The net income rate is 5.1 percent on the first $50,000 of Ohio net income plus 8.5 percent on Ohio net income in excess of $50,000. Corporations that meet ownership requirements to file a combined report must share the tax bracket to which the 5.1 percent rate applies, regardless of whether or not the corporations actually filed a combined report.

The minimum tax is $1,000 if either:

- the sum of the taxpayer's gross receipts from its activities in and outside Ohio during the year equals or exceeds $5 million, or
- the total number of its employees in and outside Ohio at any time during the year equals or exceeds 300.

For all other taxpayers the minimum tax is $50.

1 "Report year" refers to the year in which corporations submit their annual report to the Department of Taxation documenting the previous year's business activity.

2 Percentages apply after the application of most nonrefundable tax credits.

In addition, nonfinancial institutions are subject to a litter tax computed on either the net worth base (0.14 mills) or the net income base (0.11 percent on the first $50,000 and 0.22 percent on additional income). The tax that applies is the greater of the two computations, up to a maximum of $5,000.

Major Exemptions

The corporation franchise tax does not apply to:

- Nonprofit corporations.
- Credit unions.
- "S" corporations and qualified subchapter S subsidiaries ("QSSS").
- Limited liability companies (LLCs), if treated as a partnership for federal tax purposes
- Real estate investment trusts (REITs), regulated investment companies (RICs), and real estate mortgage investment conduits (REMICs).
- Corporations in Chapter 7 bankruptcy proceedings.
- Corporations exempt under federal law.

Also, qualifying holding companies are exempt from the net worth base.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	Other[2]	Total
2007	$1,076.5	$47.5	$1.7	$1,125.7
2008	753.5	(0.4)[3]	1.5	754.6
2009	520.8	0.0	0.6	521.4
2010	141.7	0.0	0.6	142.3
2011	236.6	0.0	0.6	237.2

1 For years, two funds established for revenue sharing with local governments received a share of corporation franchise tax receipts. Starting in January 2008, the two funds were consolidated into a single fund. This fund began receiving a designated percentage of all tax revenue into the General Revenue Fund, and these distributions were no longer credited against corporation franchise tax revenue.

2 "Other" revenue includes distributions to litter funds and the Attorney General Claims Fund.

3 Transfers to local government funds from corporation franchise tax were negative in fiscal year 2008 due to some negative deposits in fiscal year 2001, the base year of the freeze, being carried forward; there will be no local government fund deposits after fiscal year 2008.

Disposition of Revenue

After making any required deposits in the Attorney General Claims Fund, the remaining revenue is deposited in the General Revenue Fund.

Payment Dates

Jan. 31: One-third of tax liability but not less than the minimum tax.

March 31: Two-thirds of tax liability less previous payment.

May 31: Full balance of tax liability due.

Special Provisions/Credits

Credits

A large number of credits may be claimed against corporation franchise tax liability. They include credits for:

- day care and training expenditures in an enterprise zone;
- creating new employees in an enterprise zone;
- ethanol plant investment;
- grape production property;
- historic building preservation;
- job creation; (this credit is claimed against the Commercial Activity Tax after 2008);
- job retention; (this credit is claimed against the Commercial Activity Tax after 2008);
- job training (carry forward only, through 2010);
- motion picture production;
- participation in the federal New Markets Tax Credit program (applies to financial institutions);
- research expenses;
- research and development loan repayments;
- technology investment; and
- venture capital investment.

All of the credits listed above are more fully described in the Business Tax Credits chapter of the Department of Taxation's 2010 Annual Report. Two of them – the historic building preservation and motion picture production credits – may be claimed by corporations no longer subject to the franchise tax. For these credits, the corporation franchise tax becomes,

in effect, a vehicle for delivering a business incentive.

Most of the other credits listed above will be claimed infrequently against corporation franchise tax liability in the future – if at all – because of the specialized nature of the corporations still subject to the tax.

Among the credits that continue to be of interest to franchise taxpayers:

Qualifying affiliated groups:

If as a result of the related entity and related member adjustments, an affiliated group would pay over $3.5 million more franchise tax than the members of the group otherwise would have paid had the members of the group not made the related entity and related member adjustment, then the members of the affiliated group may claim a nonrefundable credit equal to the difference between the additional tax and $3.5 million. However, the credit is limited to $1.5 million for the affiliated group (even if the additional tax exceeds $5 million).

Dealers in intangibles tax credit:

A financial institution that is a member of a "qualifying control group," that also includes a dealer in intangibles may, subject to limitations, claim a credit for the dealers in intangibles tax paid by the dealer.

New markets credit:

Financial institutions and insurance companies that are qualified for the federal new markets credit program by virtue of an equity investment in community development entities also qualify for a state credit. The nonrefundable credit may be carried forward for up to four years.

Recycling and litter prevention donations:

Taxpayers may claim a nonrefundable credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships that qualify for grants from the litter control and recycling special account. This credit is limited to the lesser of cash donations or 50 percent of the additional tax liability from litter tax rates.

Savings and loan association fees credit:

A nonrefundable credit is available to state-chartered savings and loan institutions for the annual assessment paid to the state Division of Savings and Loans, less supervisory fees paid to the Federal Savings and Loan Insurance Corporation.

Credit for taxes paid by a qualifying pass-through entity:

This nonrefundable credit is equal to the taxpayer's proportionate share of the tax paid by a pass-through entity in which the taxpayer is directly or indirectly a qualifying investor.

Special provisions

A corporation still subject to the franchise tax that dissolves or surrenders its license to conduct business prior to Jan. 1 of the tax year, while not subject to the franchise tax, may be subject to an "exit tax" on its unreported Ohio net income – meaning, income not previously included in a franchise tax report. Under certain conditions, a corporation's unreported income is taxable in the hands of a transferee.

Sections of Ohio Revised Code

Chapter 5733.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1902	General Assembly enacts "Willis law," which imposes a 1 mill tax on the value of corporations' capital stock located in Ohio and a $10 minimum fee. The tax is administered by the Ohio Secretary of State.
1910	Legislature increases rate to 1.5 mills. Responsibility for administering the tax shifts to the newly-created Ohio Tax Commission.
1925	Legislature lowers rate to 0.83 mills and sets the minimum tax at $15.
1927	Rate is hiked to 1.25 mills for 1927, then permanently set at 1 mill for 1928 and thereafter. Minimum tax is set at $25.
1959	Rate is increased to 3 mills.
1967	Rate is increased to 4 mills.
1969	Rate is increased to 5 mills.
1971	Income base is added with a rate of 4 percent on the first $25,000 of net income and 8 percent on income in excess of $25,000.
1980	A 15 percent surtax is imposed for the 1981 tax year. Also, litter tax rates are enacted for tax years 1981 through 1986.

1981	Legislature increases regular corporate rates to 5.5 mills on net worth and to 4.6 percent and 8.7 percent on net income. Minimum tax increased to $150. The exemption for financial institutions is repealed; financial institutions became taxed at a 6.5-mill rate on net worth for tax years 1982 and 1983. Additionally, a 5.75 percent surtax is imposed for tax year 1982.
1982	General Assembly enacts 5.75 percent surtax for tax year 1983.
1983	Regular corporate rates are increased to 5.82 mills on net worth and to 5.1 percent and 9.2 percent on net income. Lawmakers impose a 5.4 percent surtax while lowering the minimum tax to $50. Also, financial institution rates are increased to 15 mills on net worth plus an additional tax of 6.47 mills on savings and loans and 1.54 mills on other financial institutions for tax years 1984 and 1985.
1985	Legislature reduces surtax on net income to 2.7 percent in 1987 and eliminates it for 1988. Also, the litter tax is extended through 1991 and "S" corporations are made exempt beginning in 1987.
1986	Lawmakers decrease top rate on net income to 8.9 percent in 1988 and, effective 1989, double the size of the lower bracket to the first $50,000 of net income.
1987	Tax is extended to long-distance telephone companies starting in 1988; litter tax rates are extended through 1993.
1989	Corporations undergoing "F" reorganizations made subject to tax.
1991	Income transferred to passive investment corporations made subject to tax.
1992	Railroads made explicitly subject to tax starting in 1993; litter tax is extended to 1995.
1994	Litter tax rates made permanent.
1997	General Assembly lowers rates. Effective for the 1999 tax year, general net worth rate is lowered to 4 mills with a maximum liability of $150,000. Top net income tax rate is lowered to 8.5 percent. Financial institutions will pay 14 mills in tax year 1999 and 13 mills beginning with the 2000 tax year.
1999	Legislature enacts job training tax credit effective from 2001-04. Electric utilities made subject to corporation franchise tax effective in 2002.
2001	Job training tax credit is delayed until tax year 2004 and extended through tax year 2006. Also, effective tax year 2003, credit is enacted for investments made by a financial institution in a dealer in intangibles.
2002	General Assembly enacts credit for investments in certified ethanol plants.
2003	Minimum tax is increased to $1,000 for certain large corporations, effective for taxable years ending on or after June 26, 2003.
2004	Tax is extended to local exchange telephone companies starting with tax year 2005.
2005	House Bill 66 launches a gradual phase-out of the corporation franchise tax for the vast majority of taxpayers.
2007	The job training credit is extended through report year 2008. General Assembly enacts historic building preservation credit.
2009	Most taxpayers file their last reports and make their last payments and are fully shifted to the commercial activity tax. Motion picture production and new markets credits enacted by legislature.

Comparisons with Other States

(As of October, 2011)

California

Corporations pay 8.84 percent of net income. Banks and financial corporations, excepting financial S corporations, are subject to a 10.84 percent tax rate. A 3.5 percent tax rate applies to financial S corporations, and a 1.5 percent rate applies to all other S corporations. A 6.65 percent alternative minimum tax is imposed.

Florida

Corporations pay 5.5 percent of net income. Corporations subject to federal alternative minimum tax pay the greater of the regular 5.5 percent net income tax or 3.3 percent alternative minimum tax.

Illinois

Corporations pay 7.0 percent of net income. Taxpayers are also subject to 2.5 percent personal property replacement tax on net income for corporations other than S corporations, and 1.5 percent for S corporations, partnerships, and trusts.

Indiana

Corporations pay 8.5 percent of adjusted gross income. A lower rate of 5 percent applies to adjusted gross income derived from sources within a qualified area that contains an inactive or closed military base.

Kentucky

Corporations pay a tax based on a net income calculation. Coporations and limited liability companies pay the limited liability entity tax. There is a minumum tax of $175. Tax on net income is imposed at the following rates:

Taxable Net Income	Rate
Up to $50,000	4%
$50,001 – $100,000	5%
Over $100,000	6%

The limited liability entity tax is either 9.5 cents per $100 of gross receipts, or 75 cents per $100 of Kentucky gross profits, whichever is less.

Massachusetts

Corporations pay a tax based in part on each of the following:

- 0.26 percent on taxable tangible property that is not subject to local taxation, or on allocated net worth; and
- 8.25 percent of taxable net income; or
- a minimum tax of $456.

Michigan *(Does not reflect law changes scheduled to become effective in calendar year 2012.)*

The Michigan Business Tax (MBT) includes a defined business income tax and a modified gross receipts tax:

- The defined business income tax component levies a 4.95 percent tax on a defined business income tax base.
- The modified gross receipts tax is imposed at a rate of 0.8 percent. For taxpayers other than financial institutions, there is a surcharge of 21.99 percent of the MBT liability before credits; the surcharge is capped at $6 million per year.

New Jersey

Corporations pay the greater of the following:

- a minimum tax of $500 to $2,000, depending on the amount of gross receipts; or
- a tax of 9 percent on adjusted net income if the corporation's entire net income exceeds $100,000, 7.5 percent if the corporation's entire net income is $50,001 to $100,000, or 6.5 percent if the corporation's entire net income is $50,000 or below; or
- a minimum tax ranging from $500 to $2,000.

New York

Corporations pay the greater of the following:

- 7.1 percent of allocated entire net income (6.5 percent for qualified in-state manufacturers); or
- 0.15 percent of allocated business and investment capital (not to exceed $350,000 for manufacturers or $10 million for all other taxpayers); or
- 1.5 percent of minimum taxable income; or
- a fixed dollar minimum of $25 to $5,000, depending on gross receipts.

Additionally, all taxpayers must pay 0.9 percent of allocated subsidiary capital.

Taxpayers that qualify as a small business pay a tax of 6.5 percent on an entire net income base of $290,000 or less; a tax of $18,850

plus 7.1 percent of the entire net income base over $290,000 but not more than $390,000; and an additional tax of 4.35 percent of entire net income over $350,000.

All small business taxpayers must also pay 0.9 percent of allocated subsidiary capital.

Ohio

(As described in the Rates **section in this chapter.)**

Pennsylvania

Corporations pay 9.99 percent of net income.

Texas

A "margin tax" is imposed on entities with more than $300,000 in total revenues. An entity's margin is the lesser of:

- 70 percent of total revenue; or
- total revenue less compensation paid to active duty military and costs of goods sold; or
- total revenue less compensation paid.

This taxable margin is multiplied by the apportionment factor, then by the tax rate. The rate is 1 percent for most taxpayers, 0.5 percent for taxpayers primarily engaged in retail or wholesale trades, or 0.575 percent for taxpayers with $10 million or less in total revenue that choose to use an E-Z filing option. Small business discounts provide for 20 to 80 percent reductions in taxes depending on revenue levels for entities with total revenue less than $900,000.

West Virginia *(does not reflect net income tax rate decrease scheduled for calendar year 2012.)*

Corporations pay 8.5 percent of net income plus an additional franchise tax equal to $50 or 0.34 percent of the taxable value of capital stock, whichever is greater.

Dealers in Intangibles Tax

Taxpayer

The dealers in intangibles tax applies to businesses having an office or other place of business in Ohio and engaged in:

- lending money;
- discounting, buying or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness;
- buying or selling bonds, stocks, or other investment securities; or
- serving as a broker for others in such transactions.

Examples of taxpayers include stockbrokers, factors and lenders not classified as financial institutions, such as mortgage lenders and payday lenders.

Tax Base

The tax base for dealers in intangibles is either:

- To the extent represented by capital employed in Ohio, shares of the stockholders of incorporated dealers or shares of unincorporated dealers whose capital stock is divided into shares held by the owners;
- Capital employed in Ohio by unincorporated dealers whose capital stock is not divided into shares.

The value of the shares or capital is determined by first calculating the net worth of the dealer. A series of adjustments, unique to this tax, are then made in order to establish the fair value of the shares or capital.

For dealers with offices in more than one state, this value is apportioned to Ohio based on the loans made or discounted in Ohio (in the case of lenders) or commissions charged from Ohio offices (in the case of brokers) when compared to such activity from all offices.

Rate

The tax rate is 8 mills (0.8 percent) of value.

Major Exemptions

The following entities are excluded from the definition of a dealer in intangibles:

- financial institutions.
- insurance companies.
- institutions used exclusively for charitable purposes.

Revenue

(In Millions)

All figures in the following table are on a fiscal year basis, based on data from the Office of Budget and Management. These amounts will not match the calendar year tax liability data contained in the Department of Taxation's Annual Report.

Fiscal Year	General Revenue Fund	Local Portion	Total
2007	$18.2	$13.1	$31.3
2008	22.3	12.2	34.5
2009	25.1	13.3	38.4
2010	27.2	13.9	41.1
2011	26.0	13.6	39.6

Disposition of Revenue

All tax paid by dealers in intangibles that are subsidiaries of a financial institution or insurance company ("qualifying dealers") is paid into the state General Revenue Fund.

For non-subsidiary dealers in intangibles, the distribution is as follows:

- Three mills of receipts are credited to the state General Revenue Fund.
- Five mills of receipts are distributed to county undivided local government funds based on where the firm's capital was employed (on the basis of gross receipts).

Beginning in 2012, all dealers in intangibles tax revenue is credited to the General Revenue Fund.

Payment Dates

Dealers in intangibles must file tax returns by the second Monday in March. The Tax

Commissioner certifies the assessment of the shares or property representing capital to the Ohio Treasurer of State by the first Monday of May. Within 20 days, the Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill is mailed.

Special Provisions/Credits

Credits available to dealers in intangibles include the historic preservation tax credit and the venture capital tax credit. For more information on these credits, see the Business Tax Credits chapter of the Department of Taxation's 2010 Annual Report.

Sections of Ohio Revised Code

Chapters 150, 5707, 5719, and 5725.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1931	Tax is enacted at 5 mills.
1971	Rate is increased to 6 mills, with the additional mill earmarked for the state General Revenue Fund.
1987	Rate is increased by two mills to be dedicated to the state General Revenue Fund. Also, the assessment certification date is changed from the first Monday in June to the first Monday in May.
2001	Effective for the 2003 tax year, the Ohio General Assembly broadens the tax to include "qualifying dealers" – generally dealers in intangibles that are subsidiaries of a financial institution or an insurance company. All revenue from such taxpayers is directed to the state General Revenue Fund.
2005	The venture capital tax credit is made available to qualified dealers in intangibles. Effective beginning in tax year 2006, the term "primarily" is used to determine who meets the definition of a dealer in intangibles by specifying what business they are mostly engaged in.

Comparisons with Other States

(As of September, 2010)

No other state has a similar tax on dealers in intangibles.

Estate Tax

Taxpayer

The tax is paid by the administrator, executor, or other estate representative in possession of the property subject to tax.

Tax Base

The tax applies to the net taxable estate, which equals the value of the gross estate less allowable deductions.

Rates

Rates are tiered in the brackets shown below. Estates with a net taxable value of $338,333 or less are effectively exempt from the tax because of the availability of a nonrefundable estate credit of up to $13,900. The effect of this credit, which applies to dates of death on or after Jan. 1, 2002, is also shown in the table below.

Net taxable estate	Tax before credit	Tax after credit
$0 to $40,000	2% of the net taxable estate	No tax
$40,000 to $100,000	$800 plus 3% of excess over $40,000	No tax
$100,000 to $200,000	$2,600 plus 4% of excess over $100,000	No tax
$200,000 to $300,000	$6,600 plus 5% of excess over $200,000	No tax
$300,000 to $500,000	$11,600 plus 6% of excess over $300,000	6% of excess over $338,333
Over $500,000	$23,600 plus 7% of excess over $500,000	$9,700 plus 7% of excess over $500,000

Major Exemptions

A marital deduction is allowed equal to the net value of any asset passing from the decedent to the surviving spouse, but only to the extent that the asset is included in the value of the Ohio gross estate.

Other deductions available before the calculation of tax liability include funeral expenses, costs of administering the estate, unpaid debts against the estate, charitable bequests, and that portion of an annuity or other death benefit plan contributed by an employer or former employer of the decedent.

Revenue

(In Millions)

Fiscal Year	Local Governments	General Revenue Fund	Total
2007	$287.3	$72.1	$359.4
2008	255.7	61.4	317.1
2009	269.4	64.4	333.8
2010	230.8	55.0	285.8
2011	302.1	72.1	374.2

Disposition of Revenue

For estates with dates of death on or after June 29, 2004, revenue is distributed as follows, with administrative costs shared equally:

- 80 percent to the municipal corporation or township of origin;
- 20 percent to the state General Revenue Fund.

For estates with dates of death on or after Jan. 1, 2002 but before June 29, 2004, revenue was distributed in the same 80/20 split, but administrative costs were deducted from the state share.

Payment Dates

The estate tax return is to be filed within nine months of the decedent's death. However, an automatic six-month extension is granted to all estates. Payment of the estate tax is due nine months from the date of the decedent's death to the treasurer of the county where the estate tax return was filed.

Special Provisions/Legislation/ Credits

Repeal of Estate Tax:

The Ohio Estate Tax has been repealed for individuals dying on or after January 1, 2013 (see House Bill 153, 129th General Assembly). Also, House Bill 153 provides closure of the former Ohio Inheritance Tax, by requiring all claims and inquiries regarding the inheritance Tax to be submitted to the Department of Taxation prior to January 1, 2013.

Estate tax credit:

For estates with a date of death on or after Jan. 1, 2002, this credit is equal to $13,900 or the amount of estate tax owed, whichever is less. This effectively exempts the first $338,333 of the net taxable estate from the tax.

Additional Estate Tax:

R.C. 5731.18 imposes an additional estate tax to the extent that federal estate tax laws permit a full credit for estate tax paid to the state of Ohio. This additional estate tax provision does not increase overall liability for Ohio taxpayers, since it only applies to the extent that the federal credit fully reduces federal estate tax liability, dollar for dollar. Many states have similar tax provisions, known as "pick up" or "sponge" taxes.

In 2001, Congress enacted the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), which temporarily reduced the value of the federal credit to zero starting on Jan. 1, 2005. Congress enacted the 2010 Tax Relief Act, which extended this treatment through December 31, 2012. Because Ohio's estate tax laws incorporate all changes made by Congress to the Internal Revenue Code as of December 31, 2010, the state additional estate tax no longer imposes state liability on estates with a date of death on or after July 1, 2005.

Generation-Skipping Tax:

R.C. 5731.181 imposes a tax on generation-skipping transfers of property and trusts to the extent that federal taxes on such transfers include a dollar for dollar credit for state taxes imposed on such transfers.

This federal credit for state taxes on generating-skipping transfers was temporarily suspended by EGTRRA and later by the 2010 Tax Relief Act. Because Ohio's estate tax laws incorporate all changes made by Congress to the Internal Revenue Code as of December 31, 2010, the state generation-skipping transfer tax ceased to apply to taxable distributions and taxable terminations occurring on or after July 1, 2005.

Sections of Ohio Revised Code

Chapter 5731.

Responsibility for Administration

The Tax Commissioner administers the estate tax. The tax is collected locally by the treasurer of the county in which the decedent resided. The tax due for a nonresident decedent owning real property or tangible personal property in Ohio is paid to the county where the return is filed. This is generally the county in which the majority of the real property or tangible personal property is located.

History of Major Changes

1893	General Assembly enacts a 3.5 percent tax on collateral inheritances in excess of $10,000. A year later, the rate increased to 5 percent and exemption reduced to $200. The state receives 75 percent of revenue, with 25 percent going to the county where the tax is collected.
1894	Legislature enacts tax on direct inheritances in excess of $20,000, with graduated rates of up to 5 percent on the amount in excess of $1 million. A year later, the Ohio Supreme Court rules this tax unconstitutional.
1904	General Assembly enacts 2 percent tax on all direct inheritances in excess of $3,000. Two years later, lawmakers repeal the tax.
1912	Voters of Ohio approve a constitutional amendment explicitly permitting the taxation of inheritances or estates at uniform or graduated rates.
1919	General Assembly replaces 26-year-old collateral inheritance tax with a new graduated inheritance tax. Rates range from 1 to 10 percent.
1968	Legislature repeals inheritance tax and replaces it with an estate tax effective July 1, 1968.
1983	Family and general exemptions are repealed in favor of a marital deduction and a $500 credit that shields the first $25,000 of a net taxable estate from taxation, effective July 1, 1983.
1993	Unlimited marital deduction became effective July 1, 1993.
1997	Effective March 7, 1997, that portion of an annuity or other death benefit plan contributed by an employer is excluded from the taxable estate.

2000	General Assembly enacts a two-year phased-in increase of the estate tax credit from $500 to $13,900. A new revenue sharing formula is also phased-in over two years, with the local share increasing from 64 percent to 80 percent and the state share falling from 36 percent to 20 percent.
2004	Legislature revises sharing of administrative costs to match revenue sharing formula; local governments required to pay 80 percent and the state 20 percent.
2005	Federal credits for state estate taxes and state-generation skipping taxes are temporarily suspended as part of the federal Economic Growth and Tax Relief Reconciliation Act of 2001; as a result, the Ohio additional estate tax and generation-skipping taxes cease to impose liability for all estates connected with dates of death on or after July 1, 2005.
2011	House Bill 153, 129th General Assembly, repeals the Ohio Estate Tax for individuals dying on or after January 1, 2013. House Bill 153 also legislates closure of the former Ohio Inheritance Tax, by requiring all claims and inquiries regarding the Inheritance Tax to be submitted to the Department of Taxation prior to January 1, 2013.

Comparisons with Other States

(As of August, 2011)

California, Florida, Michigan, Texas, and **West Virginia** have no estate tax. Three comparison states – **Indiana, Kentucky,** and **Pennsylvania** – levy inheritance taxes rather than estate taxes. An inheritance tax is based upon the succession of property transferred to an individual and the relationship of that individual to the decedent, rather upon the value of the estate itself.

Before the enactment of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), many other states levied only a "sponge tax" that applied up to the value of the federal credit for estate taxes paid to states. In order to avoid the loss of this revenue that would accompany the 2005 temporary suspension of this federal credit, the laws of some states maintain out-of-date definitions of the federal credit. These states include:

- **Massachusetts**, which imposes a sponge tax up to the maximum federal credit that existed as of Dec. 31, 2000, with a $1 million exclusion.
- **New York,** which imposes a sponge tax up to the maximum federal credit that existed as of July 22, 1998, with a filing threshold of $1 million.
- **New Jersey**, which imposes a sponge tax up to the maximum federal credit that existed as of Dec. 31, 2001, with a $675,000 filing threshold.

For these states, a return of the federal credit for estate taxes paid to states will have no impact on the computation of state estate tax.

In addition to its sponge tax, **New Jersey** maintains a simplified state estate tax system that applies to those not filing federal estate taxes; the taxable value of the estate is reduced by $60,000 and there is no tax on estates valued at less than $615,000. The rate is between 4.8% and 37%. **New Jersey** also levies a separate inheritance tax.

In **Illinois**, for decedents in 2011 and 2012 an estate tax applies, with an exclusion of $2 million. The rate is between 8.0% and 16.0%.

Horse Racing Tax

Taxpayer

The tax is paid by holders of racing permits issued by the Ohio State Racing Commission.

Tax Base

A pari-mutuel tax is levied on the total amount wagered each day on horse and harness racing.

An additional wagering tax is levied on "exotic" wagering – meaning, all bets other than win, place and show, such as a daily double, quinella, perfecta, and trifecta.

Rates

The pari-mutuel daily wagering rates are as follows:

Amount Wagered	Daily Rate
First $200,000	1%
Next 100,000	2
Next 100,000	3
Over 400,000	4

The exotic wagering rate is 3.5 percent of the amount wagered daily.

Major Exemptions

None.

Revenue

(In Millions)

Fiscal Year	PASS-PORT Fund	Thorough-bred Fund	Standard-bred Fund	Other Funds[1]	Total
2007	$3.3	$2.5	$1.5	$4.8	$12.1
2008	2.9	2.2	1.3	4.3	10.7
2009	2.6	1.9	1.3	3.7	9.5
2010	2.3	1.6	1.2	3.3	8.4
2011	2.0	1.5	1.0	3.1	7.6

Disposition of Revenue

From wagering at commercial tracks:

The nursing home franchise permit fee fund (formerly the PASSPORT fund) – established to pay for home health care and other senior citizen services – receives 25 percent of all gross tax revenue from pari-mutuel and exotic wagering, plus all tax revenue from off-track betting parlors.

Also, the Ohio State Racing Commission Operating Fund receives all revenue from the final half point of the 3.5 percent tax on exotic wagering.

Distributions of remaining revenue are calculated as follows:

Ohio Fairs Fund:

Receives 0.5 percent of total pari-mutuel wagering plus 8.3 percent of revenue from the base 3 percentage points of tax on exotic wagering.

Ohio Standardbred Development Fund:

Receives 1.125 percent of total pari-mutuel wagering on harness races plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races.

Ohio Quarter Horse Development Fund:

Receives 0.625 percent of total pari-mutuel wagering on quarter horse races plus 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering on quarter horse races.

Ohio Thoroughbred Race Fund:

Receives 1.125 percent of total pari-mutuel wagering on thoroughbred races and 0.47 percent of pari-mutuel wagering on commercial harness races[2] plus 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races.

Racing Commission Operating Fund:

In addition to revenue from the half point of the exotic wagering tax described above, this fund also receives 0.25 percent of total pari-mutuel wagering plus 16.7 percent of revenue

1 The "Other" category represents revenue distributed to the Ohio Fairs Fund, the Quarter Horse Development Fund, the State Racing Commission Operating Fund, and county agricultural societies.
2 The percentage of harness racing tax revenue distributed to the Thoroughbred Race Fund is not fixed in statute. It changes annually based on a calculation performed at the end of each calendar year. The rate listed is for 2011.

from the remaining 3 percentage point tax on exotic wagering.

Usually, after distributions to the Passport Program, the revenue that remains from each racing day is insufficient to pay the percentages of pari-mutuel wagering described above.[1] In these cases, contributions to each fund are prorated on a proportional basis.

From wagering at county fairs:

County agricultural societies receive all the pari-mutuel tax revenue from racing conducted at county fairs that remains after distributions are made, as described above, to the Ohio Fairs Fund, Ohio Standardbred Development Fund, Ohio Quarter Horse Development Fund, and the Ohio Thoroughbred Race Fund. County agricultural societies also receive the remaining revenue after all other distributions to these funds are made from the base 3 percentage points of tax on exotic wagering conducted at county fairs.

Payment Dates

Payments are due at the end of each racing day.

Special Provisions/Credits

Two significant credits apply to the tax:

- Capital improvements credit: 0.75 percent of amount wagered is deducted from tax liability at tracks making approved construction.
- Major capital improvements credit: 1 percent of amount wagered is deducted from tax liability at tracks making an approved renovation costing $6 million or more.

Sections of Ohio Revised Code

Chapter 3769.

Responsibility for Administration

The Tax Commissioner administers the tax. The Ohio State Racing Commission regulates racing and licensing.

History of Major Changes

1933	Tax is enacted with rates ranging from 10 percent on the first $1,000 of daily wagers to 30 percent on wagers in excess of $20,000.
1953	Legislature reduces rates. New schedule ranges from 2 percent on the first $10,000 of daily wagering to 6 percent on wagering in excess of $400,000.
1955	For thoroughbred racing, an additional .75 percent is added to each bracket. Rates are unchanged for harness racing.
1959	Rates are increased. New rates range from 4.25 percent and 3 percent on the first $10,000 wagered daily on thoroughbred and harness races, respectively, to 8.25 and 7 percent, respectively, on amounts in excess of $400,000.
1975	Legislature adopts flat tax rates for thoroughbred racing: 7 percent through the end of 1976, 6.75 percent for 1977 and 6.5 percent starting in 1978. Rates on harness racing are reduced; new schedule ranges from 3 percent on the first $50,000 of wagers to 6.5 percent on the excess over $550,000. Also, legislature establishes a 0.5 percent credit for qualifying capital improvements.
1981	Legislature establishes 2.5 percent tax on exotic wagering and increases the value of the capital improvement credit from 0.5 percent to 0.75 percent. Lawmakers also enact a gradual reduction of the thoroughbred tax rate to 5.25 percent by mid-1983. Harness rates are also phased downward so that, by mid-1983, rates range from 1.5 percent on first $50,000 to 4.5 percent of excess over $200,000.
1984	House Bill 639 consolidates all rates into a single schedule for thoroughbred, harness, and quarter horse racing. New rates range from 1 percent on the first $200,000 of daily wagering to 4 percent on the excess over $400,000. Legislature also enacts a 1.5 percent major capital improvements credit.
1989	Effective July 1, exotic wagering rate is increased from 2.5 percent to 3 percent.

1 This is true even after the exotic wagering revenue unallocated in the calculations listed above is used to meet the targeted percentages of pari-mutuel wagering.

1994	Legislature permits wagering on simulcast events, requires that, starting Sept. 27, revenues not going to horse racing funds go to the PASSPORT program rather than the General Revenue Fund, and reduces the major capital improvements tax credit from 1.5 percent to 1 percent of wagering.
1996	Distribution of revenue is changed effective Sept. 19; PASSPORT receives 25 percent share of gross revenues, rather than all revenue not distributed to horse racing funds.
2001	Effective July 1, legislature increases exotic wagering tax from 3 percent to 3.25 percent.
2003	Legislature imposes temporary additional tax of 0.25 percent on exotic wagering, from July 1, 2003 until July 1, 2005.
2006	General Assembly reinstates 0.25 percent additional tax on exotic wagering for the 2007 fiscal year.
2007	Lawmakers make the additional 0.25 percent on exotic wagering permanent. New rate is 3.5 percent.

Comparisons with Other States

(As of November, 2007)

In the comparisons below, "all horse" refers to thoroughbred and quarter horse racing.

California	
All horse	0.4% – 2%
Harness	0.4%
Florida	
All horse	0.5% – 2.4%
Harness	0.5% – 3.3%
Dog	5.5% – 7.6%
Illinois	
All horse and harness	1.5%
Indiana	
All horse and harness	2% – 2.5%
Kentucky	
All horse	1.5% – 3.5%
Harness	0% – 3.1%[1]
Massachusetts	
All horse and harness	0.375% – 0.75%
Dog	2.5% – 5%
Michigan	
Simulcast horse and harness	3.5%
New York	
All horse and harness	0.5% – 7.75%
Ohio	
All horse and harness	**0.5% – 4%**[2]
Pennsylvania	
All horse and harness	2.5%[3]
Texas	
Live events[4]	1% – 5%
Simulcast events	1% – 1.25%
West Virginia	
Thoroughbred	0.4% – 1.4%
Harness	3% – 5.75%
Dog	4% – 8%

New Jersey does not have a tax on pari-mutuel wagering.

1 The tax is waived if the amount not paid is retained by the track to maintain and promote its facilities and live racing events.
2 In Ohio, an additional 3.5 percent tax applies to exotic wagering.
3 Includes a wagering tax of 1.5 percent and a pool tax of 1 percent.
4 Meaning, horse or greyhound racing.

Individual Income Tax – Ohio

Taxpayer

The tax is paid by individuals, estates, and trusts residing in Ohio or earning or receiving Ohio income, including lottery winnings, prizes, or awards. The tax is also paid by individuals, trusts, and estates otherwise having nexus with Ohio.

Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

Tax Base

For individuals, the base is federal adjusted gross income plus or minus adjustments, according to Ohio income tax law. For estates and trusts, the base is federal taxable income plus or minus adjustments, according to Ohio income tax law.

Rates

Individual income tax rates for the 2011 taxable year are as follows:

Ohio Taxable Income Over	But not over	Tax Liability	
0	$ 5,100		0.587%
$ 5,100	$ 10,200	$29.94, plus 1.174% of excess over	$5,100
$ 10,200	$ 15,350	$89.81, plus 2.348% of excess over	$10,200
$ 15,350	$ 20,450	$210.73, plus 2.935% of excess over	$15,350
$ 20,450	$ 40,850	$360.42, plus 3.521% of excess over	$20,450
$ 40,850	$ 81,650	$1,078.70, plus 4.109% of excess over	$40,850
$ 81,650	$102,100	$2,755.17, plus 4.695% of excess over	$81,650
$102,100	$204,200	$3,715.30, plus 5.451% of excess over	$102,100
$204,200		$9,280.77, plus 5.925% of excess over	$204,200

Based upon H.B. 66, the rates listed above reflect an overall reduction of 21% from taxable year 2004 rates.

The brackets described above reflect the second annual adjustment for inflation. R.C. 5747.02(A) requires the Tax Commissioner to adjust the breadth of each bracket for inflation annually starting in July, 2010.

Division (B) of this same code section allows for rates to be temporarily adjusted downward in any year that the director of the Office of Budget and Management certifies that a surplus exists in the Ohio Budget Stabilization (or "Rainy Day") Fund.

Major Exemptions

A personal exemption is available for each taxpayer and each dependent. For the 2011 taxable year (returns filed in 2012), each exemption equals $1,650 per person. This amount is adjusted for inflation each year.

In addition to certain other federal and state adjustments, the following forms of income are exempt from state taxation:

- Military pay earned by Ohio service members while stationed outside of Ohio and by non-Ohioans while stationed in Ohio.
- Military retirement pay.
- Income earned in Ohio by military nonresident spouses who are domiciled in the same state as their military service member spouse.
- Qualified Social Security benefits and certain railroad retirement benefits.
- Certain disability and survivors benefits.
- Certain Ohio National Guard benefits.

Additionally, Ohio taxpayers may deduct the following expenses when calculating Ohio taxable income:

- Qualified organ donation expenses.
- Subject to limitations, purchases of tuition units, contributions to the Ohio Tuition Trust Authority's College Advantage 529 Savings Plan and certain Pell Grant expenses.
- Certain unreimbursed long-term care insurance premiums, unsubsidized health care insurance premiums, deposits into medical savings accounts and other medical expenses.
- Accident and health insurance premiums for taxpayers, and certain relatives, who do not have accident or health insurance at their place of employment and who are not eligible for Medicare or Medicaid.

Revenue

(In Millions)

Fiscal Year	General Rev. Fund	Revenue Sharing[1]	Other[2]	Total
2007	$ 8,885.3	$ 829.3	$ 8.3	$ 9,722.9
2008	9,114.8	724.7	8.7	9,848.2
2009	7,629.1	686.5	7.7	8,323.3
2010	7,247.2	629.2	10.4	7,886.8
2011	8,120.3	686.7	13.0	8,820.0

Disposition of Revenue

All revenue from the individual income tax is initially deposited in the General Revenue Fund. Each month, 3.68 percent of all general fund tax revenue is subsequently deposited into the Local Government Fund, credited against the individual income tax's portion of General Revenue Fund revenues. Beginning in August 2011, the 3.68 percent contribution percentage is no longer used. Through June 2013, designated dollar amounts will be deposited into the Local Government Fund and credited against individual income tax General Revenue Fund proceeds.

The Ohio Constitution requires that at least 50 percent of income tax collections be returned to the county of origin. This obligation is met primarily through General Revenue Fund allocations to education and local property tax relief.

Payment Dates

For individuals, trusts and estates:

Generally, the annual return is due on or before April 15. The return reconciles tax liability with the amount remitted through withholding by employers and quarterly estimated payments by taxpayers.

Taxpayers file quarterly declarations if they expect to owe more than $500 after withholding. Such taxpayers generally must file an estimated return and make quarterly payments on or before April 15, June 15, and Sept. 15 of the taxable year and Jan. 15 of the following year.

For employers:

Employers remit withholding tax according to schedules that range from several times a week to quarterly, depending on the amount of income tax withheld.

Special Provisions/Credits

Credits:

All filers may take a $20 credit for each personal exemption claimed on their return. A number of other credits are also available. They include, in alphabetical order:

Adoption credit: Taxpayers who adopt a child (except a stepchild) may claim a nonrefundable credit of $1,500 per child adopted during the taxable year.

Child and dependent care credit: Taxpayers with Ohio adjusted gross income between $20,000 and $40,000 and who are eligible for the federal child and dependent care credit may claim 25 percent of the value of the federal credit as a state child and dependent care credit. For taxpayers with incomes below $20,000, the credit is 100 percent of the federal credit.

Displaced workers' training expenses credit: Taxpayers may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of a position or shift. The credit is $500 or 50 percent of the training costs, whichever is less.

Joint filing credit: A husband and wife who file a joint return are allowed a tax credit of up to $650 if each had at least $500 of qualifying income. The credit is a percentage of tax liability, after the application of several other credits, as shown below:

Ohio Taxable Income	Amount of Credit
$25,000 or less	20% of tax
$25,001 to $50,000	15% of tax
$50,001 to $75,000	10% of tax
$75,001 and over	5% of tax

Low-income credit: This credit is equal to the tax that would otherwise be due when Ohio taxable income is $10,000 or less. This credit eliminates all tax liability for such taxpayers. For the 2011 taxable year, this credit is $88.

Nonresident/part-year resident income credit: Taxpayers who are nonresidents or part-year residents of Ohio and who earn income

1 Before January of 2008, a portion of individual income tax revenue was distributed to the Local Government Fund and Public Library Fund for use by local governments and libraries. Starting in January, 2008, as part of a larger reform of Ohio's revenue sharing system, this column only includes deposits into the Local Government Fund.

2 "Other" revenue includes distributions to the Political Party Fund and the Attorney General Claims Fund.

while living in another state receive a credit for that portion of income.

Political contribution credit: Taxpayers may claim an individual income tax credit of up to $50 per year for contributions made to the campaign committee of candidates for statewide elected offices or for the Ohio General Assembly.

Retirement income credit: Taxpayers are allowed a credit to the extent that qualified retirement income is included in Ohio adjusted gross income, according to the following schedule:

Retirement Income	Credit
$ 500 or less	$0
Over $500 but not more than $1,500	$25
Over $1,500 but not more than $3,000	$50
Over $3,000 but not more than $5,000	$80
Over $5,000 but not more than $8,000	$130
Over $8,000	$200

Senior citizen credit: A taxpayer 65 years of age or older during the taxable year may claim a $50 credit against the amount of tax due. Only one credit is allowed per tax return.

The above list does not include a number of business credits, some of which may also be claimed against corporation franchise tax or commercial activity tax.

Reciprocity:

An individual who is a full-year resident of any of the five states bordering Ohio and whose income from inside Ohio consists solely of wages, salaries, tips, or commissions need not file with Ohio. This rule does not apply if the individual owns, directly or indirectly, at least 20 percent of a pass-through entity having nexus with Ohio.

Sections of Ohio Revised Code

Chapter 5747.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1912	Ohio voters approve a constitutional amendment that permits the taxation of income on a uniform or graduated basis.
1971	General Assembly enacts the individual income tax, effective for 1972.
1972	Ohio voters reject a constitutional amendment that would have repealed the new income tax and prohibited future graduated income taxes.
1973	Voters approve a constitutional amendment that eliminates a $3,000 cap on personal exemptions. Also, the legislature enacts a joint filer credit.
1982	The General Assembly imposes a temporary 25 percent across-the-board tax hike for 1982 and a temporary, 12.5 percent tax hike for 1983. Additional rate hikes are imposed on high-income individuals for 1982 and 1983 through the creation of new brackets for income in excess of $80,000 and $100,000.
1983	The new brackets are made permanent. The legislature also increases the temporary, across-the-board rate hikes to 83.3 percent for 1983 and to 90 percent for 1984, when the increases become permanent. The legislature also increases the value of the senior citizen credit, the joint filer credit and the personal exemption. In November, Ohio voters sustain these changes by rejecting a constitutional amendment that would have repealed all tax changes enacted since 1982.
1984	Legislature enacts a one-time special tax refund. For most taxpayers, the refund is 2.03 percent of 1983 tax liability or $7, whichever is greater. Taxpayers who had less than $7 tax due in 1983 receive a full refund. Lawmakers also exempt certain Social Security and railroad retirement benefits from taxation.
1985	General Assembly enacts a three-year, 15 percent across-the-board rate cut. Rates are scheduled to fall (from 1984 levels) by 5 percent in 1985, 5 percent in 1986 and 5 percent in 1987.

1986	The legislature lowers the top marginal rate (on income in excess of $100,000) from 8.55 percent to 6.9 percent, effective 1987. Legislators also lower other rates by an additional 7 percent in 1987 and an additional 1 percent in 1988 and thereafter.
1992	General Assembly creates a new bracket for income in excess of $200,000, effective starting in 1993. The tax rate associated with this new bracket is 7.5 percent.
1996	General Assembly enacts a new mechanism to temporarily lower statutory rates in any year where a budget surplus exists. As a result, tax rates are temporarily reduced for 1996 by 6.609 percent. This provision later leads to temporary rate reductions in 1997, 1998, 1999 and 2000.
1997	The legislature enacts the pass-through entity withholding tax and indexes personal exemptions to inflation starting in 2000.
2002	Senate Bill 261 broadens individual income tax to include trusts between June 4, 2002 and Dec. 31, 2004. S.B. 261 also indexes tax brackets to inflation starting in 2005 (later delayed till 2010) and decouples Ohio from federal accelerated depreciation law, requiring a bonus depreciation adjustment.
2005	House Bill 66 launches a five-year, 21 percent across-the-board reduction in income tax rates. Rates are scheduled to fall by 4.2 percent for 2005, 2006, 2007, 2008 and 2009. H.B. 66 also includes a credit that effectively shields all taxpayers whose taxable income is $10,000 or less from all state income tax liability. The bill also makes permanent the extension of the tax to trusts and postpones the annual adjustment of tax brackets for inflation until 2010.
2006	Legislature permits resident service members to deduct military pay and allowances received while stationed out of state, effective Jan. 1, 2007.
2007	Legislature exempts military retirement pay from Ohio income and school district income taxes effective Jan. 1, 2008.
2008	Tax preparers who filed more than 75 original income tax returns in 2008 required by law to file electronically as of Jan. 1, 2010.
2009	House Bill 318 postpones fifth income tax rate reduction for two years, until 2011. House Bill 1 creates a motion picture production credit.
2010	Tax Commissioner adjusts tax brackets for inflation for the first time, effective for the 2010 taxable year.
2011	Enactment of fifth and final year of income tax rate reductions. H.B.153 creates new donation for the Ohio Historical Society. H.B. 167 creates a new income tax deduction for Pell Grant recipients.

Comparisons with Other States

(As of January, 2011)

The tax rates listed in this section are for taxable year 2011 unless otherwise noted. In some states, rate schedules vary according to filing status. In these cases, as noted below, rates for single filers are listed.

California

For individuals and couples[1] filing separately, graduated rates range from 1 percent on the first $7,124 of taxable income to 9.55 percent on income in excess of $46,767. An additional 1 percent tax is imposed on net incomes in excess of $1 million.

Florida

Florida does not levy a personal income tax.

Illinois

A rate of 5 percent applies to all taxable income.

Indiana

A rate of 3.4 percent applies to adjusted gross income.

Kentucky

Graduated rates range from 2 percent on the first $3,000 of taxable income up to 6 percent on income in excess of $75,001.

Massachusetts

A 5.3 percent rate applies to all business income, earned income, annuities, long-term capital gains, interest, and dividends. Capital gains on collectibles and assets held less than one year are taxed at 12 percent.

Michigan

A rate of 4.35 percent applies to taxable income.

1 Meaning, a married couple or a registered domestic partnership.

New Jersey

For individuals and couples[1] filing separately, a graduated rate of 1.4 percent applies to the first $20,000 of taxable income; rates range up to 8.97 percent on income in excess of $500,000.

New York

For individuals or married couples filing separately, rates range from 4 percent on the first $8,000 of taxable income up to 8.97 percent on income in excess of $500,000.

Ohio

For 2011, rates ranged from 0.587 percent on the first $5,100 of income to 5.925 percent on the amount in excess of $204,200; see Rates, above, for details.

Pennsylvania

A rate of 3.07 percent applies to taxable income.

Texas

Texas does not levy a personal income tax.

West Virginia

For all filers except married couples filing separately, graduated rates range from 3 percent on the first $10,000 of taxable income up to 6.5 percent on income in excess of $60,000.

2 Meaning, a married couple or a civil union.

Insurance Tax – Domestic

Taxpayer

The tax is paid by insurance companies organized under Ohio law.

Tax Base

The tax applies to the gross amount of premiums from policies for Ohio risks by insurance companies organized under Ohio law.

Rates

The tax rate is 1.4 percent of gross premiums. The minimum tax is $250.

Major Exemptions

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before Oct. 1, 2009, Medicare payments, small employer health care alliance premiums, or federal crop insurance premiums.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Other[1]	Total
2007	$169.6	$2.8	$172.4
2008	154.6	4.7	159.3
2009	155.3	4.7	160.0
2010	161.7	4.9	166.6
2011	189.4	4.9	194.3

Disposition of Revenue

Revenue is distributed to the General Revenue Fund, except for revenue from an additional 0.75 percent tax on fire insurance (see **Special Provisions**), which is distributed to the Fire Marshal Fund.

Payment Dates

The Director of the Ohio Department of Insurance certifies the tax liability of each insurance company to the Ohio Treasurer of State by the first Monday of May. Within 20 days, the Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill is mailed.

The tax year is defined as the year in which the tax returns are due. Tax liabilities are based upon the previous year's business activity.

Special Provisions/Credits

Credit for smaller insurance groups: Insurer groups with less than $75 million in total U.S. premiums are eligible for a credit of up to $200,000 against annual tax liability. The closer groups get to the $75 million mark, the lower the value of this credit.

Ohio Life and Health Guaranty Association credit: Insurance companies receive a tax credit for the full amount of assessments paid into the Ohio Life and Health Guaranty Association. By law, insurance companies are required to be members of the association, a not-for-profit association created by Ohio law, as a condition of transacting business in Ohio. Should a member become impaired or insolvent, the other members are assessed by the association at a rate of up to 2 percent of gross premiums to protect policyholders of the impaired or insolvent insurers.

Health insuring corporations: Domestic insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments and payments received for Medicaid prior to Oct. 1, 2009.

Fire insurance tax: An additional 0.75 percent tax is levied on the gross premiums derived from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other insurance coverages.

Sections of Ohio Revised Code

Sections 5725.18 to 5725.24, 5725.31, 5725.32, 5725.98, 5729.031, 1731.07, and 3737.71.

Responsibility for Administration

Director, Ohio Department of Insurance.

1 The "Other" category includes distributions to the Fire Marshal Fund and the Attorney General Claims Fund.

History of Major Changes

1830 General Assembly enacts a 4 percent tax on dividends paid by insurance companies.

1831 The 4 percent tax is repealed; legislature enacts 5 percent tax on the dividends of "bank, insurance and bridge companies."

1846 Legislature increases tax to 6 percent on gross profits.

1852 New Ohio constitution requires the taxation of all real and personal property according to uniform rule, and that corporation property be subject to taxation, same as for individuals. Legislature requires all insurance companies to list real property, tangible property, money and credits for taxation as property.

1900 Legislature enacts a 0.5 percent tax on the gross premiums of all insurance companies to support the state fire marshal office. Two years later, lawmakers limit this tax to fire insurance companies.

1933 General Assembly replaces tax on the personal property of insurance companies with a franchise tax on either 0.2 percent of capital and surplus or 1.67 percent on gross premiums, whichever is less.

1971 Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less.

1979 Legislature replaces 0.5 percent tax on fire insurance gross premiums with a new 0.75 percent tax.

1981 Legislature increases tax rate on capital and surplus to 0.6 percent.

1989 The Ohio Life and Health Guaranty Association is established, along with a 100 percent tax credit for assessments paid by participating insurers.

1997 General Assembly enacts House Bill 215, which gradually phases in several major changes between 1999 and 2003. Changes include:

- A gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent.
- A gradual elimination of the capital and surplus tax base.
- A minimum tax of $250 (instead of $200).
- An expansion of the tax credit for smaller insurer groups to include those with less than $75 million in U.S. premiums. Previously, the limit had been $50 million.

Comparisons with Other States

(As of December, 2009)

In addition to the rates listed below, other rates may apply to specific types of insurance or insurance providers.

California

In general, the tax rate is 2.35 percent of gross premiums. The rate on federally-exempt pensions and profit-sharing plans is 0.5 percent.

Florida

A 1 percent rate applies to annuities, a 0.75 percent rate applies to wet marine and transportation insurance and a 1.6 percent rate applies to self-insurers. All others pay 1.75 percent of gross premiums. Florida's fire marshal assessment is 1 percent.

Illinois

Illinois' insurance tax is, in general, 0.5 percent of net premiums on policies written in the state and 0.4 percent of health premiums.[1] The Illinois fire marshal tax is 1 percent.

Indiana

Companies are subject to Indiana's gross income tax unless they elect to pay a 1.3 percent tax on gross premiums. The fire insurance tax is 0.5 percent of gross premiums received from Indiana-based policies.

Kentucky

In general, the rate is 2 percent of gross premiums. Additionally, a 1.5 percent surcharge applies on premiums for Kentucky risks. Fire insurers pay an additional surtax of 0.75 percent of premiums. Life insurance companies may elect to pay a tax on intangible property in lieu of the gross premiums tax of 1.5 percent on life insurers.

Massachusetts

The rate is 2 percent of taxable gross premiums, plus a surtax of 14 percent of the tax imposed.

Michigan

The rate is equal to 1.25 percent of gross direct premiums.

New Jersey

In general, a rate of 1.05 percent applies to the gross premiums on group accident and

1 Insurers are also subject to Illinois income and replacement taxes. Certain offsets and limits may apply.

health policies. A 2.1 percent rate applies to all others.

New York

A 1.75 percent tax rate applies to all premiums on accident and health contracts. A 2 percent rate applies to other, non-life insurance premiums.[1]

Ohio

The rate is 1.4 percent of gross premiums. An additional tax of 0.75 percent applies to fire insurance gross premiums.

Pennsylvania

The rate is 2 percent of gross premiums.

Texas

Life, accident, and health insurers are taxed at 1.75 percent of gross premiums; most others are taxed at 1.6 percent.

West Virginia

Rates of 3 percent to 5 percent apply, depending on insurance product lines.

1 Insurance companies also pay the New York corporate franchise tax.

Insurance Tax – Foreign

Taxpayer

The tax applies to insurance companies not organized under Ohio law, meaning those based out of state.

Tax Base

The tax applies to the gross amount of premiums from policies for Ohio risks during the preceding calendar year, less specified deductions.

Rate

The tax rate for foreign insurers is 1.4 percent. The minimum tax is $250.

Major Exemptions

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before Oct. 1, 2009, Medicare payments, and federal crop insurance premiums.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Other[1]	Total
2007	$256.1	$21.9	$278.0
2008	267.3	17.3	284.6
2009	249.2	15.8	265.0
2010	250.8	15.6	266.4
2011	256.3	16.7	273.0

Disposition of Revenue

Revenue is distributed to the General Revenue Fund, except for revenue from an additional 0.75 percent tax on fire insurance, which is distributed to the Fire Marshal Fund along with 20 percent of retaliatory taxes on companies writing fire premiums (see **Special Provisions**).

Payment Dates

The tax year is the year in which the tax returns are due to be filed. Tax liabilities are based upon the previous year's business activity. Payment dates are as follows:

- Oct. 15: Advance payment of an amount equal to half of the previous year tax liability before credits.
- March 1: Payment of balance of taxes for current tax year.
- June 15: Final payment or refund.

Special Provisions/Credits

Retaliatory provisions: Foreign insurers are subject to retaliatory provisions. This means that the taxes or fees imposed by one state or nation on an insurance company of any state doing business in that location are also imposed on that state or nation's insurance companies doing business in Ohio.

Fire insurance tax: An additional 0.75 percent tax is levied on the gross premiums derived from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other coverages. However, when retaliatory tax provisions are in effect – because the company's home state or country levies taxes and fees that are higher than those charged by Ohio for similar business – there is no fire insurance tax. Instead, the aggregate of taxes (premium taxes and fire insurance taxes) and excess fees, which together comprise the total tax due, is classified as retaliatory tax. Twenty percent of the retaliatory taxes of foreign insurers writing fire insurance is then allocated to the fire insurance tax fund.

Credit for smaller insurance groups: Insurer groups with less than $75 million in total U.S. premiums are eligible for a credit of up to $200,000 against annual tax liability. The closer groups get to the $75 million mark, the lower the value of this credit.

Health insuring corporations: Foreign insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments and payments received under Medicaid before Oct. 1, 2009.

1 The "Other" category includes distributions to the Fire Marshal Fund and the Attorney General Claims Fund.

Sections of Ohio Revised Code

Chapter 5729 and section 3737.71.

Responsibility for Administration

Director, Ohio Department of Insurance.

History of Major Changes

1830	General Assembly enacts a 4 percent tax on profits from premiums, with a minimum tax of $50.
1831	The 4 percent tax is repealed; legislature enacts 6 percent tax on the profit from premiums received in Ohio by foreign insurance companies.
1852	The value of gross premiums collected by foreign insurance companies becomes subject to the property tax.
1888	General Assembly enacts a supplemental tax on gross premiums that, when added to the property tax, would equal 2.5 percent of gross premiums. Law includes a retaliatory tax on companies from states that charge higher tax rates on insurance companies organized in Ohio.
1902	Legislature converts existing taxes on foreign insurance companies to a direct 2.5 percent tax on gross premiums.
1997	Legislature enacts House Bill 215, which gradually phases in several major changes between 1999 and 2003. These changes include: • A gradual reduction of the rate from 2.5 percent to 1.4 percent. • A minimum tax of $250 (instead of $200). • An expansion of the tax credit for smaller insurer groups to include those with less than $75 million in U.S. premiums. Previously, the limit had been $50 million.

Comparisons with Other States

(As of December, 2008)

In **Indiana,** foreign insurers pay 1.3 percent of gross premiums.

In **California, Florida, Illinois, Kentucky, Massachusetts, Michigan, New Jersey, New York, Ohio**, **Pennsylvania, Texas**, and **West Virginia**, foreign insurance companies are taxed the same as domestic insurance companies except that foreign insurance companies are also subject to retaliatory taxes. In general, the retaliatory tax rate imposed is either the domestic rate of the state taxing the foreign insurer, or the rate of the state in which the foreign insurer is incorporated, whichever is greater.

Kilowatt-Hour Tax

Taxpayer

Taxpayers include:

- Electric distribution companies.
- End users that self-assess.

Tax Base

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio:

- For end users at or below 45 million kWh in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- For end users above 45 million kWh in annual consumption who opt to self-assess, the base is both the amount of kilowatt hours distributed to them per month and the total price.

Rates

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered according to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
The first 0 – 2,000 kWh	0.465 cents
The next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

For end users above 45 million kWh in annual consumption, there is an option to self-assess the tax. As of July 1, 2008, this self-assessor tax is calculated as the sum of 3.5 percent of price plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. (The previous price-based rate was 4 percent.) The self-assessor rate will change again effective Jan. 1, 2011, to eliminate the price-based component. Self-assessors will pay a flat rate of 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million.

Major Exemptions

The tax does not apply to:

- The federal government.
- End users located at a federal facility.
- Qualified end users.
- Qualified regeneration facilities.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	School District Property Tax Repl. Fund	Local Gov't Prop. Tax Repl. Fund	Total
2007	$326.9	$25.7	$142.7	$64.9	$559.7
2008	231.2	128.3	144.9	66.2	570.6
2009	136.0	207.1	138.3	63.2	544.6
2010	156.3	170.3	131.7	60.1	518.4
2011	153.9	183.8	136.1	62.2	536.0

Disposition of Revenue

Beginning in fiscal year 2012, the General Revenue Fund is to receive 88 percent of the kilowatt-hour tax revenue, with the School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund receiving 9 percent and 3 percent, respectively. However, from General Revenue Fund kilowatt-hour tax revenue an amount is transferred each month to the Public Library Fund. In fiscal year 2012 the amount to be transferred shall equal 95 percent of the amount transferred during fiscal year 2011 (July 2011 was an exception when the transfer equaled 0.985% of June 2011 General Revenue Fund tax revenue).

1 Before January, 2008, a portion of kilowatt-hour tax revenue was directed to the state Local Government Fund and Local Government Revenue Assistance Fund. Starting in January 2008, a new system of revenue sharing began crediting one half of the monthly distributions to the Public Library Fund against kilowatt-hour tax revenue. The transition is the reason for the fairly substantial change in revenue sharing from the kilowatt-hour tax during fiscal year 2008.

Payment Date

The payment date is the 20th day of each month for both electric distribution companies and end users that self-assess. Payment is based on the amount of electricity distributed to end users during the preceding month.

Special Provisions/Credits

Revenues received by municipal electric companies from customers within their municipal boundaries are retained by that municipality.

Sections of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1999	Kilowatt-hour tax is enacted effective May 1, 2001.
2000	The General Assembly enacts several changes. It: • Lowers the self-assessor tax threshold from 120 million kWh of annual consumption to 45 million kWh. • Caps the consumption portion of the self-assessor tax formula at 504 kWh of annual consumption. • Establishes an exemption for "qualified regeneration facilities." • Allows businesses to declare that they will have enough electricity consumption in the upcoming year to self-assess and provides for a "recapture" tax if the taxpayer fails to meet the self-assessor threshold. • Requires self-assessors served by a municipal electric company and located within the municipal boundary to remit the self-assessor tax to the municipality.
2002	Effective June 2, 2002, the School District Property Tax Replacement Fund's share is reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund's share is increased from 11.1 percent to 11.6 percent.
2007	After several local government fund freezes, the General Revenue Fund's share of kilowatt-hour tax revenue is permanently changed to 63 percent. Also, the General Assembly reduces the price component of the tax paid by self-assessing purchasers from 4 percent to 3.5 percent effective July 1, 2008.
2009	House Bill 1 amends R.C. 5727.81 to eliminate the price-based component of the self-assessment calculation effective Jan. 1, 2011 in favor of a flat rate of 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million.

Comparisons with Other States

(As of December, 2008)

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, and **Texas** have no specific tax on the volume of electricity consumed or distributed. In these states, electric companies are subject to general business taxes. In other states, comparable rates are as follows:

California

California's rate is 0.022 cents per kilowatt hour of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from 0.33 cents to 0.202 cents on consumption, or 5.1 percent of the purchase price for self-assessors. Electricity purchased from municipal systems and electric cooperatives is taxed at the lesser of 0.32 cents per kilowatt-hour or 5.0 percent of gross receipts. Distributors pay on an increasing cents-per-kilowatt-hour basis ranging from 0.031 cents to 0.131 cents on kilowatt-hours distributed.

New Jersey

Electric companies pay a tax on kilowatt-hours sold to New Jersey consumers based on rates established by the Board of Public Utilities. The tax is scheduled to be phased out by the end of 2013.

Ohio

Electric distribution companies pay tiered rates on a sliding scale based on the amount of kilowatt-hours consumed each month by individual end users. Rates are 0.465 cents for the first 2,000 kWh used; 0.419 cents for 2,001 to 15,000 kWh; and 0.363 cents for 15,001 or more kilowatt-hours. End users who opt to self-assess pay a rate of 3.5 percent of price plus 0.075 cents per kilowatt-hour on the first 504 million used.

West Virginia

Distributors of electricity generally pay a unit tax on distribution at a rate of 0.19 cents per kilowatt-hour; however, electric power sold to large users (200,000 kWh per year) is taxed at 0.05 cents per kilowatt hour.

Motor Vehicle Fuel Tax

Taxpayer

The tax is paid by dealers (wholesalers and refiners) who distribute fuel in Ohio.

Tax Base

The tax applies to gallons of gasoline, diesel fuel, and special fuels sold in Ohio.

Rate

The total rate is 28 cents per gallon. This total rate includes one levy of eight cents per gallon, two levies of two cents each, one levy of one cent, and an additional levy of 15 cents per gallon.

Major Exemptions

Purchasers who do not use the fuel to operate a vehicle on a highway or waterway in Ohio may receive a refund of the tax paid. Also:

- Local transit authorities may receive a refund for all but one cent per gallon on fuel consumed in transit buses.
- School districts, joint vocational schools, and educational service centers may receive a refund on the tax in excess of 22 cents per gallon.

Revenue

(In Millions)

Fiscal Year	Total
2007	$1,715.1
2008	1,751.6
2009	1,726.7
2010	1,727.2
2011	1,757.2

Disposition of Revenue

The following distributions are made first:

- Monthly $100,000 allocation to the Grade Crossing Fund.
- Monthly allocation of the first 2 percent of revenue to the State Highway Safety Fund.[1]
- Monthly distribution to the Ohio Turnpike Commission equal to five cents on each gallon of fuel sold at stations operated along the turnpike on contract with the commission.

After the above transfers, 0.875 percent of revenue is allocated to the Waterways Safety Fund, 0.125 percent to the Wildlife Boater-Angler Fund, and 0.275 percent to the Motor Fuel Tax Administrative Fund.

Of the revenue that remains, the equivalent of one cent of the 15 cents per gallon rate is allocated to the Local Transportation Improvement Program Fund.

Once these distributions have been made, the balance is distributed, in general, as follows:

- 70.2 percent to the state;
- 12.7 percent to municipal corporations;
- 11.1 percent to counties; and
- 6 percent to townships.

Payment Date

Payments are due by the last day of each month for the preceding month's tax liability.

Special Provisions/Credits

Shrinkage allowance:

Effective July 1, 2007:

- licensed distributors receive a 1 percent discount on total gallons of fuel received, minus 0.5 percent on gallons sold to retailers, for fuel lost through shrinkage and evaporation.
- Retailers receive a 0.5 percent discount on gallons of fuel purchased from licensed distributors for fuel lost through shrinkage and evaporation.

The current allowance levels are temporary. They were originally scheduled to expire on June 30, 2011, but the General Assembly extended them for two more years, through June 30, 2013.

1 This provision of House Bill 1 (2009) replaced a temporary monthly distribution of $1.6 million in effect for fiscal years 2008 and 2009.

Sales tax:
Motor vehicle fuel is not subject to sales tax in Ohio.

Sections of Ohio Revised Code

Chapter 5735.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

Year	Change	Total rate
1925	2 cents per gallon tax enacted	2 cents
1927	1 cent increase	3 cents
1929	1 cent increase	4 cents
1933	1 cent decrease	3 cents
1947	1 cent increase	4 cents
1953	1 cent increase	5 cents
1959	2 cent increase	7 cents
1981	3.3 cent increase	10.3 cents
1982	1.4 cent increase	11.7 cents
1983	0.3 cent increase	12 cents
1987	2.7 cent increase	14.7 cents
1988	0.1 cent increase	14.8 cents
1989	3.2 cent increase	18 cents
1990	2 cent increase	20 cents
1991	1 cent increase	21 cents
1993	1 cent increase	22 cents
2003	2 cent increase	24 cents
2004	2 cent increase	26 cents
2005	2 cent increase	28 cents

Comparisons with Other States

(As of January, 2011)

Unless noted, the motor vehicle fuel tax rates shown below do not reflect the application of a state sales tax or local permissive motor vehicle fuel taxes.

State	Tax Rates (per gallon) Gasoline	Diesel	Sales tax applicable?
California[1]	35.7 cents	18 cents	Yes
Florida	16.02	30.0	Yes
Illinois[2]	20.1	22.6	Yes
Indiana	18	16	Yes
Kentucky[3]	25.9	22.9	No
Massachusetts	21	21	No
Michigan	19	15	Yes
New Jersey	14.5	17.5	No
New York[4]	25.0	23.25	Yes
Ohio	**28**	**28**	**No**
Pennsylvania	31.2	38.1	No
Texas	20	20	No
West Virginia[5]	32.2	32.2	No

Sources: Commerce Clearing House, International Fuel Tax Administration, and Federation of Tax Administrators. All rates are as of Jan. 1, 2011.

1 Diesel tax rate will decrease to 13 cents on July 1, 2011 and sales tax rate will increase to 9 percent.
2 Carriers pay an additional surcharge equal to 12.3 cents for gas and 13.5 cents for diesel.
3 Kentucky's tax rates are based on the average wholesale price and are adjusted quarterly; the actual tax rate is 9 percent of the wholesale price.
4 New York's rates for gasoline and diesel fuel include a per-gallon petroleum business excise tax.
5 West Virginia's rate includes an 11.7 cents-per-gallon sales and use tax.

Motor Vehicle Fuel Use Tax

Taxpayer
The tax is paid by fuel use tax permit holders.

Tax Base
The tax applies to fuel used on Ohio highways by tractor-trailer combinations, trucks with three axles or more, and two-axle trucks with a gross vehicle weight or a registered gross vehicle weight over 26,000 pounds. Taxpayers pay on the amount by which the fuel consumed in Ohio exceeds the fuel purchased in Ohio.

Rate
The total rate is 28 cents per gallon, which is the same as the state motor fuel tax rate.

Major Exemptions
The tax does not apply to vehicles owned and operated by the federal government, the State of Ohio, or its political subdivisions.

Revenue
(In Millions)

Fiscal Year	Total
2007	$55.2
2008	34.8
2009	29.8
2010	38.1
2011	35.7

Disposition of Revenue
Revenue is distributed to highway bond retirement funds to the extent it is needed for debt service, and then to the Highway Operating Fund.

Payment Dates
Reports and payments are filed quarterly by Jan. 31, April 30, July 31, and Oct. 31 for the liability for the previous three months.

Special Provisions/Credits
None.

Sections of Ohio Revised Code
Chapter 5728.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1981	Tax becomes effective July 1.
1990	House Bill 381 repeals a separate, 37-year-old highway use tax based on commercial vehicle mileage by setting rates to zero effective Jan. 1, 1991. In its place, the bill imposes a three cents per gallon motor fuel use surtax on vehicles previously covered by the highway use tax. The new surtax is in addition to the base motor vehicle fuel tax rate, then 20 cents per gallon.
1995	Ohio joins the International Fuel Tax Agreement.
2003	House Bill 87 increases the motor vehicle fuel tax by two cents per gallon, from 22 to 24 cents, effective July 1. H.B. 87 also contains two future motor vehicle fuel tax increases and a phase out of the surtax.
2004	Per H.B. 87, motor vehicle fuel tax rises from 24 cents to 26 cents per gallon and surtax falls from three cents to two cents per gallon, effective July 1.
2005	Per H.B. 87, motor vehicle fuel tax rate rises from 26 cents to 28 cents per gallon and surtax is eliminated, effective July 1.

Comparisons with Other States

(As of September, 2011)

Unless noted, the motor vehicle fuel tax rates listed in this table do not reflect the application of a state sales tax or local permissive motor vehicle fuel taxes.

State	Tax Rates (cents per gallon) Gasoline	Diesel	Sales Tax Applicable?
California	none	34.7	Yes
Florida	29.87	32.07	Yes
Illinois	34	37.8	Yes
Indiana[1]	29	27	Yes
Kentucky	31.2	34.6	No
Massachusetts	21	21	No
New Jersey	14.5	17.5	No
New York	41	39.25	Yes
Ohio	**28**	**28**	**No**
Pennsylvania	31.2	38.1	No
Texas	20	20	No
West Virginia[2]	32.2	32.2	Yes

Source: International Fuel Tax Administration (IFTA) and Commerce Clearing House. All data is current as of Feb. 1, 2009.

1 The rates shown for Indiana include a surcharge of 11 cents per gallon.

2 The rates shown for West Virginia include sales and use tax.

Motor Vehicle License Tax

Taxpayer

The tax is paid by operators of motor vehicles on the public roads or highways.

Tax Base

The tax applies to motor vehicles operated upon the public roads or highways of Ohio. Commercial vehicles based in Ohio and in other states pay a prorated tax based on the ratio of the mileage traveled in Ohio to total mileage.

Rates

Rates vary according to the type of motor vehicle and, in some cases, according to weight. All rates listed in this section are for a full 12-month period, even though the tax can be prorated if a registration covers a period less than twelve months. Also, the base rates in this section do not include (a) local permissive levies which vary according to location, (b) deputy registrar fees ($3.50), (c) postage fees (for registration by mail), or (d), if new plates are purchased, fees for reflectorization ($0.25 per plate) and county stickers ($0.25 per set).

A single base rate applies to these classes of motor vehicles:

- Passenger cars: $31
- House vehicle/moped: $21
- Motorcycles: $25
- House trailers, travel trailers: $21
- Transit buses: $23
- Non-commercial trucks (no more than ¾ ton) and motor homes: $46
- Non-commercial trucks (more than ¾ ton and less than one ton): $81
- Commercial trailers, semi-trailers: $36

Rates for the following classes of motor vehicle vary according to weight:

Commercial trucks and tractors:

Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight under 2,001 lbs., the base fee is $75. For vehicles with a gross weight between 78,001 and 80,000 lbs., the base fee is $1,370.

Non-commercial trailers:

Rates vary between several weight classes depending on the unladen weight of the vehicle. The maximum unladen weight eligible to be registered in this category is 10,000 pounds. The base fee ranges from $16 to $140.

Commercial buses:

Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight under 2,001 lbs., the base fee is $21. For vehicles with a gross weight between 78,001 and 80,000 lbs., the base fee is $1,641.

Farm trucks:

Rates vary between several weight classes depending on the unladen vehicle weight. For example, for vehicles with an unladen weight between 2,901 and 3,000 lbs., the tax is $31. For vehicles with an unladen weight between 10,001 and 10,100 lbs., the tax is $138.25.

Major Exemptions

The tax does not apply to:

- Vehicles owned and operated by the federal or state government or by political subdivisions of the state.
- Publicly-owned school buses used for transporting public school pupils and privately-owned school buses used exclusively for transporting private or public school pupils to and from school or school functions.
- Vehicles registered in another state until the owner becomes an Ohio resident.
- Historical registrations (vehicles 25 years and older).

Revenue

(In Millions)

Fiscal Year	Total
2007	$757.6
2008	749.2
2009	733.0
2010	751.5
2011	764.3

Disposition of Revenue

The Highway Bond Retirement Fund and the Highway Operating Fund are allocated 42.6 percent of the revenue from commercial vehicles having gross vehicle weights of more than 26,000 lbs. Revenue collected from commercial vehicles on behalf of other jurisdictions is distributed to those jurisdictions.

The Highway Safety Fund receives $11 of each registration, and an additional $19 for registrations of commercial trucks. Revenue collected from local permissive taxes is distributed to the appropriate counties, municipalities and townships according to the levies enacted at the local level.

After any bond retirement obligations are met and payment is made to an administration fund for the tax, the remaining revenue is distributed as follows:

- 34 percent to the municipal corporation or county of registration;
- 47 percent to the county in which vehicle owner resides;
- 9 percent to all counties based on the ratio of the number of miles of county roads to the state total;
- 5 percent to all townships based on the ratio of the number of miles of township roads to the state total;
- 5 percent divided equally among counties.

Payment Dates

Dates vary according to the type of vehicle:

- Passenger cars and noncommercial vehicles are required to be registered annually by the owner's birth date.
- Registration of commercial vehicles is staggered, with vehicles registered based on the last two digits of the Social Security number or tax ID. All vehicles are to be registered by the last day of their expiration month.

Special Provisions/Credits

Several sections of the Ohio Revised Code give counties, municipalities and townships the option to enact an additional $5 per vehicle local permissive tax levy. The permissive rate for any location in Ohio is available at the Bureau of Motor Vehicles Web site, **bmv.ohio.gov** (specifically: bmv.ohio.gov/county/Taxing_Districts.htm).

Counties have the authority to enact three different levies. Municipalities may enact four different levies, and townships have the authority to enact one levy. However, the sum of all permissive tax levies may not exceed $20 in any tax district – meaning, any combination of county, municipal and townships.

Other special provisions:

- Special license plate numbers or letter combinations are available at an additional cost.
- Dealers of manufactured homes and existing mobile homes must pay the motor vehicle license tax.
- Owners of manufactured and existing mobile homes do not pay the motor vehicle license tax if the home is at a fixed location, but are subject to either the manufactured home tax or the real property tax (for details, see the **Manufactured Home Tax** chapter). However, a temporary tag is required when a manufactured or mobile home is moved.

Sections of Ohio Revised Code

Chapters 4501, 4503 and 4504.

Responsibility for Administration

The primary administrator is the Registrar of the Ohio Department of Public Safety's Bureau of Motor Vehicles. The Registrar may appoint private individuals, nonprofit corporations, county auditors and clerks of courts of common pleas in counties having a population of less than 40,000 to serve as deputy registrars.

History of Major Changes

1906	Registration fee of $5 is enacted for all gasoline or steam motor vehicles.
1920	Separate license taxes are enacted for motorcycles, passenger cars, and commercial vehicles.
1925	A graduated rate schedule is enacted for commercial vehicles.

1932	Rates are increased for motorcycles, passenger cars, and commercial vehicles; method of revenue distribution is amended.
1937	A rate schedule is enacted for farm trucks.
1948	The passenger car levy is increased to $10.
1949	A separate levy is enacted for house trailers.
1951	A separate, graduated rate schedule is enacted for motor buses; levy on commercial vehicles is increased.
1953	Department of Highway Safety (containing the Bureau of Motor Vehicles) is created; current method of revenue distribution is enacted.
1957	Separate levy is enacted for transit buses.
1967	Counties and municipalities are permitted to levy $5 permissive license tax.
1980	General Assembly grants the Bureau of Motor Vehicles permissive authority to accept registrations by mail. Also, rates are doubled on passenger cars, motorcycles, house and travel trailers and increased on all other vehicles.
1988	Registration schedules are changed to correspond to owners' birthdates. Also, the General Assembly requires the Bureau of Motor Vehicles to begin mail registration.
1989	Fee structure for commercial vehicle registrations is converted from unladen weight to gross vehicle weight effective June 1991.
2002	Phased-in increases begin for operational fees paid to deputy registrars. Fees increase to $3.50 in 2004.
2003	Registration fees increase by $11.
2004	Biennial registration is permitted. Also, staggered registration begins for commercial vehicles.
2009	House Bill 2 increases the cost of registrations for vanity plates and three-initial reserve plates by $15 each to $50 per year. A late fee of $20 is added to all vehicle registration renewals more than seven days beyond expiration date.
2011	House Bill 114 expanded the seasonal exemption from late fees; increased the non-commercial trailer weight to 10,000 lbs. from 3,000 lbs; mandates online IRP registration. Effective January 1, 2011, the owner of a commercial trailer may apply for a 1, 2, 3, 4, or 5 year registration.

Comparisons with Other States

(As of November, 2007)

The following comparisons are based on the home state of registration for a passenger car or a truck of 60,000 lbs. gross weight and traveling interstate. These estimates do not consider additional variable fees that may be in effect at the state or local levels. They also do not consider miscellaneous state and/or local exemptions that might increase the fee charged.

State	Passenger Cars	Trucks
California	$49, plus 0.65 percent of market value. Electric vehicles are an additional $10.	$1,489
Florida	$27.60 – $45.60, depending on weight of vehicle.	$678
Illinois	$78	$2,253
Indiana	$20.75	$810
Kentucky	$11.50	$1,007
Massachusetts	$41 biennial fee.	$900
Michigan	$29 – $148 based on year and weight of vehicles valued up to $30,000. Minimum fee of $148 for vehicles valued over $30,000.	$1,268
New Jersey	$35.50 – $84, based on weight and model year.	$913
New York	Varies from $10.25 – $56 based on weight. The fee for electric cars is $13.	$517.25
Ohio	**$31**	**$885**
Pennsylvania	$36	$891
Texas	For vehicles weighing up to 6,000 lbs., varies from $40.50 – $58.50 based on model year. For heavy vehicles, the fee is $25 plus 60 cents per 100 lbs.	$580
West Virginia	$30	$816.25

Source: International Registration Plan, Inc. and CCH.

Natural Gas Distribution Tax

Taxpayer

The tax is paid by natural gas distribution companies.

Tax Base

The tax is based on the amount of natural gas distributed to end users.

Rates

In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user, as measured in 1,000 cubic feet ("Mcf"):

Gas Distributed to End User	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 Mcf or more per month	4.11 cents

The rate on natural gas distributed to flex customers is 2 cents per Mcf. A flex customer is an industrial or commercial facility that consumes more than 1 million Mcf annually, or that has made a special agreement to purchase natural gas distribution services at a discount per R.C. 5727.80(N).

Major Exemptions

The tax does not apply to:

- the distribution of natural gas to the federal government.
- natural gas produced by an end user in Ohio, consumed by the end user or its affiliates, and not distributed through the facilities of a natural gas distribution company.

Revenue

(In Millions)

Fiscal Year	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	Total
2007	$47.6	$21.7	$69.3
2008	47.8	21.8	69.6
2009	48.7	22.2	70.8
2010	45.6	20.8	66.4
2011	46.1	21.0	67.1

Disposition of Revenue

Beginning in fiscal year 2012, the General Revenue Fund receives 100 percent of revenue.

Payment Dates

Payments of the natural gas distribution tax are due by Nov. 20, Feb. 20, May 20, and Aug. 20.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2000 Legislature enacts House Bill 287, creating the tax effective July 1, 2001. The tax is designed to replace local tax revenue that will be lost from a reduction in natural gas utility personal property tax assessment percentages.

2002	The distribution formula is changed. The share to the School District Property Tax Replacement Fund falls from 70 percent to 68.7 percent; the share to the Local Government Property Tax Replacement Fund is increased from 30 percent to 31.3 percent.

Comparisons with Other States

(As of January, 2008)

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, Texas, and **West Virginia** do not have a distribution-based tax on natural gas. Other comparison states impose taxes based on therms. Since a therm is a unit of heat energy rather than volume, conversions from therms to cubic feet vary according to the content of the gas and other factors. Still, roughly speaking, one Mcf equals roughly 10 therms.

California

The tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2008 ranges from 0.232 cents to 10.212 cents per therm, depending on territory, customer class, and rate program.

Illinois

Gas companies pay 2.4 cents per therm sold to customers; self-assessing purchasers pay 2.4 cents per therm or 5 percent of gross receipts, whichever is less. A gas use tax is imposed at the same rate on the purchase of natural gas from outside of Illinois for use or consumption in Illinois.

New Jersey

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities. The tax was scheduled to be phased out by the end of 2010.

Ohio

Natural gas distribution companies pay a sliding three-bracket rate schedule based on the amount of natural gas distributed to end users per month in units of 1,000 cubic feet (Mcf). Rates are 15.93 cents for the first 100 Mcf; 8.77 cents for 101 to 2,000 Mcf; and 4.11 cents for 2,001 or more Mcf. The rate on natural gas distributed to flex customers (those who consume more than 1 million Mcf annually or have a special natural gas discount purchase agreement) is 2 cents per Mcf.

Pass-Through Entity and Trust Withholding Tax

Taxpayer

The pass-through entity tax is a system of withholding from pass-through entities designed to collect the individual income tax or corporation franchise tax that is otherwise due and payable by the entities' investors. The withholding tax is remitted by qualifying pass-through entities and qualifying trusts. A pass-through entity is an "S" corporation, partnership, or a limited liability company treated as a partnership or as an S corporation for federal income tax purposes. Many pass-through entities are not subject to the tax; see **Major Exemptions** for details.

Tax Base

The tax applies to the net sum of qualifying investors' distributive shares of the pass-through entity's income, gain, expense, and loss apportioned to Ohio. This net sum is known as the "adjusted qualifying amount."

Rates

A 5 percent withholding rate applies to the "adjusted qualifying amounts" of the entity's qualifying investors who are individuals not domiciled in Ohio.

Before 2005, an 8.5 percent entity tax rate uniformly applied to the adjusted qualifying amounts of qualifying investors that are not individuals. However, the entity tax that a qualifying pass-through entity must withhold was phased out for qualifying investors that were subject to the phase-out of the corporation franchise tax. The phase-out took place according to the following schedule:

Taxable year ending in:	Entity tax rate:
2005	6.8% (80 × 8.5%)
2006	5.1% (60 × 8.5%)
2007	3.4% (40 × 8.5%)
2008	1.7% (20 × 8.5%)
2009 and thereafter	0% (0 × 8.5%)

An 8.5 percent entity withholding rate continues to apply to the adjusted qualifying amounts of qualifying corporate investors – meaning, the relatively small number of corporations described in R.C. 5733.01(G)(1)(b) that were not subject to the corporation franchise tax phase-out, including:

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

No tax is due if the total adjusted qualifying amount for the taxable year is $1,000 or less.

Major Exemptions

Pass-through entities not subject to tax include:

- Pension plans and charities.
- Real estate investment trusts, regulated investment companies, and real estate mortgage investment conduits.
- Entities with no qualifying investors.

The following individuals and entities are not qualifying investors:

- Individuals who are residents of Ohio for the entire year.
- All subchapter C corporations, except for the relatively small number described in R.C. 5733.01(G)(1)(b).
- Corporations exempt from the corporation franchise tax per R.C. 5733.09, including insurance companies, dealers in intangibles, and public utilities subject to the Ohio public utility excise tax.
- Financial institutions.
- Nonresident individuals, resident and nonresident estates, and resident and nonresident trusts on whose behalf the qualifying pass-through entity files Ohio form IT-4708, "Annual Composite Income Tax Return for Investors in Pass-Through Entities."
- Investors that are "investment pass-through entities."

Neither of the above lists is exhaustive. Also, the entity tax does not apply to any pass-through entity to the extent the pass-through entity's distributive shares of income and gain pass through from that entity to another pass-through entity (the "investing entity") if the investing entity files form IT 1140 and/or form IT 4708.

Revenue

(In Millions)

The first table in this section represents the tax liabilities reported for each tax year, according to the fiscal year payment associated with the tax year. For example, the liability for tax year 2008 was predominantly paid during FY 2009, so the tax year 2008 tax liability data is reported as FY 2009 revenue in the table. Data from fiscal year 2011 was not available at time of publication.

Fiscal Year	Total Tax
2006	$129.1
2007	117.6
2008	131.0
2009	100.5
2010	90.5

Pass-through entities may also use Form IT 4708 to file a composite income tax return on behalf of nonresident investors. Individual income tax revenue derived from these returns is as follows:

Fiscal Year	Total Tax
2006	$104.4
2007	136.7
2008	134.9
2009	111.7
2010	114.5

Disposition of Revenue

See the **Corporation Franchise Tax** and **Individual Income Tax** chapters for details.

Payment Dates

Qualifying pass-through entities whose total adjusted qualifying amounts exceed $10,000 must make estimated quarterly tax payments. The payments are due on the 15th day of the month following the last day of each quarter of the entity's taxable year. For pass-through entities with a Jan. 1 – Dec. 31 taxable year, payments are due on April 15, July 15, Oct. 15 of the taxable year, and Jan. 15 of the following calendar year.

The annual pass-through entity tax return must be filed by the 15th day of the fourth month following the end of the entity's taxable year. For taxpayers with a Jan. 1 – Dec. 31 taxable year, the return is due on April 15 of the following calendar year. If the entity has an extension of time to file the federal tax return, the qualifying investor has the same extension to file the individual income tax return. However, there is no extension of time to pay.

Special Provisions/Credits

Each qualifying investor who is an individual, estate or trust may claim a refundable tax credit in a pass-through entity against their Ohio individual income tax. The credit equals the qualifying investor's proportionate share of the withholding tax and entity tax, if any.

A nonrefundable tax credit may be claimed by all other qualifying investors against their Ohio corporation franchise tax. The credit equals the investing corporation's proportionate share of the entity tax.

If, for federal income tax purposes, the investor deducts the investor's proportionate share of the withholding tax or the entity tax, the investor must add back such tax on the Ohio individual income tax return or corporation franchise tax report.

Sections of Ohio Revised Code

Sections 5733.40-5733.41 and 5747.40-5747.45.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1998	General Assembly enacts tax at a rate of 5 percent on individual qualifying investors and 8.5 percent on non-individual qualifying investors.

2002	Ohio decouples from federal accelerated depreciation laws, requiring a 5/6 add back for bonus depreciation.
2003	House Bill 127 revises Ohio's method of situsing sales in Ohio as part of the sales factor for apportioning corporation and trust income. In determining the situs of sales in Ohio for sales factor apportionment, the "cost of performance" standard is replaced with a "market-theory" approach based on where the taxpayer's customer enjoys the benefit of the taxpayer's sale.
2005	House Bill 66 launches a gradual phase-out of the 8.5 percent entity withholding tax rate for that portion of adjusted qualifying amounts pertaining to investors subject to the phase-out of the corporation franchise tax. The phase-out is complete in 2009.

Comparisons with Other States

(as of November, 2007)

The Ohio pass-through entity tax is a withholding tax on the distributive shares of income of qualifying investors.

The states with a tax most closely approximating the Ohio pass-through entity tax are those requiring withholding tax on the pass-through entity income of nonresident investors.

These states include **California, Indiana, New Jersey, New York, Pennsylvania,** and **West Virginia**. This listing does not reflect taxes imposed by many states on certain types of income, such as the capital gains, built-in gains, and excess net passive income of "S" corporations, or any other type of entity-level tax.

Public Utility Excise Tax

Taxpayer

The tax is paid by the following types of public utilities: natural gas companies, water works companies, pipeline companies, heating companies, and water transportation companies.

Tax Base

The tax applies to gross receipts from the intrastate business of public utilities.

Rates

All utility classes are taxed at a rate of 4.75 percent except pipelines, which are taxed at a rate of 6.75 percent. There is a minimum tax of $50.

Major Exemptions

The tax does not apply to:

- Municipally-owned utilities.
- Nonprofit water works.
- Gross receipts from interstate business, sales to other public utilities for resale, sales of merchandise, and business done with the federal government.
- The first $25,000 of gross receipts.
- Electric, inter-exchange telecommunications, railroad and rural electric companies.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	Total
2007	$160.2	$11.0	$171.2
2008	157.7	3.1	160.8
2009	184.5	0.0	184.5
2010	136.7	0.0	136.7
2011	124.8	0.0	124.8

1 Before January, 2008, a portion of public utility excise tax was shared with the Local Government Fund and the old Local Government Revenue Assistance Fund.

Disposition of Revenue

Since January 2008, all revenues from the public utility excise tax have been deposited in the General Revenue Fund.

Payment Dates

With the exception of natural gas companies, advance payments are required of all public utilities for which tax liability exceeded $1,000 during the previous tax year. Payments equal to one-third of the previous tax year's liability are due on Oct. 15, March 1, and June 1. Final payment of any remaining balance, based on the current year's certification in November, is due within 30 days of billing.

For natural gas companies, quarterly payments are required when annual liability is at least $325,000. Natural gas company payment dates are the 45th day following the last day of March, June, September, and December. Each natural gas company whose annual liability is less than $325,000 can pay annually in February.

Special Provisions/Credits

Qualifying natural gas companies may take a refundable credit against their quarterly payments equal to one-sixtieth of their total estimated tax payments made in October 1999, March 2000 and June 2000. The credit could first be claimed on the returns due Nov. 15, 2001. It will expire when the entire amount of the estimated payments is taken as the credit or in 15 years, whichever comes first.

Also, the venture capital tax credit is available to natural gas companies.

Sections of Ohio Revised Code

Chapters 150, 5703 and 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1894	General Assembly enacts public utility excise tax.
1911	Current tax structure is established.
1935	A 1 percent rate increase is applied to certain utilities.
1938	Rates increase for certain utilities.
1963	Advance payment system begins.
1966	Starting on July 1, 1966, all revenue is allocated to the General Revenue Fund. Previously, close to half of the revenue was distributed to counties and cities for poor relief and other welfare purposes.
1971	Rates are increased from 3 percent to 4 percent for most utilities.
1980	For 1981, rates are temporarily increased from 4 percent to 5 percent for most utilities.
1981	For 1982, rates are temporarily increased from 4 percent to 4.5 percent for most utilities. In addition, a 5.55 percent surtax is imposed on public utilities' 1982 liability.
1982	For 1983, rates are temporarily increased from 4.25 percent to 4.5 percent for most utilities. Also, a 5.55 percent surtax is imposed on 1983 liability.
1983	For 1983, rates are temporarily increased from 4.5 percent to 5 percent for most utilities. For 1984 and thereafter, rates are permanently increased from 4.25 percent to 4.75 percent for most utilities.
1987	Long-distance telephone companies are exempted from the public utility excise tax.
1989	In response to a 1987 federal district court decision (*General American Transportation Corp. v. Limbach*), the General Assembly enacts Senate Bill 156, repealing the tax for freightline and equipment companies as well as intrastate toll bridge, artificial gas, union depot, cooling, express and messenger companies, starting with the 1990 tax year.
1991	In response to a 1991 federal district court decision (*Cuyahoga Valley Railway Co. v. Limbach*), the General Assembly enacts House Bill 904, exempting railroads from the tax starting with the 1992 tax year.
1999	Senate Bill 3 shifts electric and rural electric companies to the kilowatt-hour tax, effective May 1, 2001. Final public utility excise tax payments for such companies are due June 2001.
2003	House Bill 95 shifts telephone companies from the public utility excise tax to the corporation franchise tax, effective after the 2004 tax year.

Comparisons with Other States

(As of August, 2010)

California

California has no general public utility excise tax, but intrastate telephone service is subject to a 0.5 percent surcharge based on sales.

Florida

Gas and electric companies pay a tax of 2.5 percent on gross receipts. Those who import electricity or natural gas into the state for their own use are subject to a use tax at the same rate. Also, a tax of 9.17 percent (6.8 percent of the sale price plus 2.37 percent on gross receipts) is levied on retail communications services, including cable services. Tax on residential telephone services is 2.37 percent. Local taxing jurisdictions may impose an additional communications services levy. A tax of 13.17 percent (10.8 percent of the sale price plus 2.37 percent on gross receipts) is levied on direct-to-home satellite services. Satellite services are exempt from any local communication services levy. Use tax provisions also apply to communication services.

Illinois

Telecommunications companies pay 7 percent tax on gross charges plus 0.5 percent for telecommunications infrastructure maintenance fees. Municipalities may impose an additional tax not to exceed 6 percent.(See also **Comparisons with Other States** in **Kilowatt-Hour Tax** and **Natural Gas Distribution Tax**.)

Indiana

A 1.4 percent excise tax is imposed on the gross receipts from the sale of electricity, natural gas, water, steam, sewage, or telecommunications services within the state. A 1.4 percent use tax is imposed on the consumption of utility services purchased from out-of-state providers.

Kentucky

Public utilities pay a utility gross receipts license tax for schools of up to 3 percent. In addition, telecommunications providers pay a

tax of 1.3 percent of gross revenues for providing telecommunications services or 2.4 percent of gross revenues for providing multi-channel video programming services in the state.

Massachusetts

A 6.5 percent utility franchise tax is levied on the entire net income of completely intrastate utility companies and the allocated net income of interstate utility companies.

Michigan

The state does not levy a specific public utility excise tax. Utilities are subject to the Michigan business tax.

New Jersey

New Jersey has no general public utility excise tax. Sewage and water corporations are subject to a tax of 2 percent or 5 percent of gross receipts (depending on the amount of gross receipts), plus 7.5 percent of gross receipts from New Jersey business for the previous calendar year, plus a surcharge of 0.25 percent to 0.9375 percent of prior year gross receipts.

New York

All utilities selling utility services to New York consumers pay a tax of 2 percent on gross income earned in the state on regulated revenue sources. The telecommunications services tax rate is 2.5 percent on gross receipts. Other cities and villages in New York may impose selective gross receipts taxes on sales of utility services. The maximum rate is 1 percent except for Buffalo, Rochester and Yonkers, which are authorized to impose a 3 percent tax rate. New York City levies a 2.35 percent tax on the gross income of utilities and the gross utility income of vendors of utility services.

Ohio

Natural gas companies, water works companies, pipeline companies, heating companies, and water transportation companies pay tax on their intrastate gross receipts. The rate for all utilities except pipeline companies is 4.75 percent; the rate for pipelines is 6.75 percent. A minimum tax of $50 applies.

Pennsylvania

Electric companies pay a rate of 4.4 percent on gross receipts, plus a "revenue-neutral reconciliation" rate of 1.5 percent, for a total rate of 5.9 percent.

Transportation, telecommunications, and telegraph companies pay a rate of 5 percent on gross receipts. No tax is imposed on natural gas companies.

Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581 percent to 1.997 percent of gross receipts from business done in incorporated villages and towns, depending upon class of utility and population of the town in which the utility operates. Gross receipts from the sale of electricity generated by an advanced clean energy product are exempt.

West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4 percent tax on gross income from telecommunications activities apportioned to the state. Natural gas and toll bridge companies pay a tax of 4.29 percent on gross receipts. Water companies pay a tax of 4.4 percent. Electric power companies (producers) pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86 percent.

Replacement Tire Fee

Taxpayer
The tax is paid by any wholesale distributor of replacement tires or any retail dealer acquiring tires on which the fee has not been paid.

Tax Base
The tax applies to tires with rims of 13 inches or more designed for use on a motor vehicle and sold as replacements. Tires that are used, retreaded, or on a new motor vehicle are not subject to the fee.

Rate
The tax rate is $1 per tire.

Major Exemptions
None.

Revenue
(In Millions)

Fiscal Year	Total
2007	$7.2
2008	7.3
2009	7.1
2010	7.0
2011	6.7

Disposition of Revenue
The Scrap Tire Management Fund receives 98 percent. The Tire Fee Administration Fund receives 2 percent.

Payment Date
Returns are filed monthly or quarterly and are due with the payment by the 20th day of the month following the reporting period.

Special Provisions/Credits
None.

Sections of Ohio Revised Code
Sections 3734.90 to 3734.99.

Responsibility for Administration
Tax Commissioner.

History of Major Changes

1993	Senate Bill 165 creates fee effective Dec. 1, 1993 with a sunset date of June 30, 2002.
1999	House Bill 283 extends the fee through June 30, 2006.
2001	House Bill 94 increases the fee from 50 cents to $1 per tire.
2005	House Bill 66 extends the tire fee through June 30, 2011. The percentage of revenue distributed to the Tire Fee Administration Fund is reduced from 4 percent to 2 percent. The percentage to the Scrap Tire Management Fund rises to 98 percent.

Comparisons with Other States
(As of November, 2007)

Massachusetts, West Virginia, and **Texas** do not have a replacement tire fee. Fees in other states are listed below.

State	Fee
California	$1.75 per tire on new replacement tires.
Florida	$1 per tire on new replacement tires.
Illinois	$2.50 per tire on replacement tires.
Indiana	25 cents per tire on new tires.
Kentucky	$1 per tire on new replacement tires.
Michigan	$1.50 tire disposal surcharge assessed on vehicle title transfers.
New Jersey	$1.50 per tire on new replacement tires delivered to locations in New Jersey.
New York	$2.50 per tire on new tires.
Ohio	**$1 per tire on new replacement tires.**
Pennsylvania	$1 per tire on new tires.

Sales and Use Tax

Taxpayer

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

Tax Base

The tax applies to the sales and rental of tangible personal property and selected services.

Rate

The state sales tax rate has been 5.5 percent since July 1, 2005. County governments and transit authorities may impose "piggyback" taxes on top of this base rate; for details see the separate **Sales and Use Tax – County and Transit Authority** chapter.

Major Exemptions

Major exemptions include:

- 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 purchases of new motor vehicles, and on purchases of watercraft and outboard motors purchased from registered dealers.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	Other[2]	Total
2007	$7,424.5	$301.3	$4.8	$7,730.6
2008	7,614.1	246.0	5.6	7,865.7
2009	7,116.0	207.1	5.3	7,328.4
2010	7,074.4	170.3	5.8	7,253.5
2011	7,578.2	183.8	5.7	7,767.7

Disposition of Revenue

All revenues from the state sales and use tax are initially deposited in the General Revenue Fund. However, each month a designated amount of all general fund tax revenue[3] is deposited into the Public Library Fund. One half of this amount is credited against the state sales tax portion of General Revenue Fund revenues.

Payment Dates

Monthly returns:

Due by the 23rd day of the month following the reporting period.

Semi-annual returns:

Due by the 23rd day of the month following the close of the semi-annual reporting period; 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.

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1 Before January, 2008, 4.2 percent of sales tax revenue was deposited in the Local Government Fund and 0.6 percent was deposited in the Local Government Revenue Assistance Fund each month. Thereafter, this column refers to deposits into the Public Library Fund.

2 Includes distributions to the Attorney General Claims Fund.

3 Permanent law calls for the Public Library Fund to receive a percentage share of all tax revenue into the state's General Revenue Fund. The percentage was 2.22 percent from January 2008 through July 2009, 1.97 percent from August 2009 through June 2011, and 2.22 percent in July 2011. The fund will receive designated dollar amounts from August 2011 through June 2013.

Vendor discounts:
Vendors and out-of-state sellers are allowed a 0.75 percent discount for timely payment.

Other provisions:
All returns must be filed electronically. Payment is required to be made by electronic funds transfer by taxpayers when liabilities equal or exceed $75,000 a year. Such taxpayers must also make accelerated payments on or before the 23rd of the month.

Special Provisions/Credits

Local levies:
Counties and transit authorities may levy additional sales and use tax. For more information, see the **Sales and Use Tax – County and Transit Authority** chapter.

Sales of motor vehicles to residents of certain other states:
Ohio motor vehicle dealers collect tax at the lowest combined Ohio state and local rate (currently 6 percent) from residents of states that impose a similar sales or use tax on Ohio residents (most states do not). As of Jan. 1, 2009, residents of eight states were subject to the nonresident motor vehicle sales tax: Arizona, California, Florida, Indiana, Massachusetts, Michigan, and South Carolina.

Streamlined Sales Tax Project:
Ohio is an associate member of the Streamlined Sales Tax Project, a multi-state effort to make sales tax laws, rules, and systems more uniform among states. The goal is to make it easier for those who make sales in multiple states to voluntarily collect and remit sales taxes to each of those states (federal law currently exempts sellers from this collection responsibility unless they have a physical presence in a state).

As part of Ohio's continued participation in the Streamlined Sales and Use Tax Agreement, changes to the sourcing of sales of tangible personal property and taxable services were effective Jan. 1, 2010. These changes allow Ohio to retain origin sourcing for most sales of tangible personal property made by Ohio vendors to Ohio consumers. Other sales are sourced to the location where the consumer receives the property or service that was sold. For the majority of vendors, these changes have little or no impact on their method of doing business.

Sections of Ohio Revised Code

Chapters 5739, 5740, and 5741.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1934	General Assembly enacts a 3 percent 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 percent 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 percent from Jan. 1 through June 30, 1981.
1981	House Bill 694, signed on Nov. 15, immediately increases the state sales tax rate from 4 percent to 5.1 percent. 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 percent. 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, 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 percent to 0.75 percent 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 an exempt 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 consummation of the lease.

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.

2003 House Bill 95 temporarily increases the state sales tax rate from 5 percent to 6 percent from July 1, 2003 to June 30, 2005. The vendor discount is temporarily increased from 0.75 percent to 0.9 percent 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.

2005 House Bill 1 resets the sales tax rate to 5.5 percent effective July 1, 2005, and extends the temporary vendor discount rate of 0.9 percent through June 30, 2007.

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

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.

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 percent franchise fee.

Comparisons with Other States

(As of January, 2011)

This table shows state sales tax rates, the maximum combination of local sales tax rates currently in effect for each state, and the highest combined state and local sales tax rate currently in effect for each state.

State	State Rate	Max. Local Rate	Max. Total Rate
California	8.25%	2.5%	10.75%
Florida	6	1.5	7.5
Illinois	6.25	3.5	9.75
Indiana	7	----	7
Kentucky	6	----	6
Massachusetts	6.25	----	6.25
Michigan	6	----	6
New Jersey	7	----	7
New York	4	4.50	8.50
Ohio	**5.5**	**2.25**	**7.75**
Pennsylvania	6	2	8
Texas	6.25	2	8.25
West Virginia	6	----	6

Severance Tax

Taxpayer

The tax is paid by holders of a severance permit.

Tax Base

The tax is levied on the weight or volume of certain natural resources extracted from the soil or water of Ohio.

Rates

Resource	Tax Rate
Coal	10 cents per ton[1]
Salt	4 cents per ton
Dolomite, gravel, sand and limestone	2 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per Mcf[2]
Clay, sandstone, shale, conglomerate, gypsum and quartzite	1 cent per ton

Major Exemptions

Natural resources with a market value of $1,000 or less annually are exempt if they are used on the same property from which the property owner extracted them.

Revenue

(In Millions)

Fiscal Year	Total
2007	$7.0
2008	9.4
2009	11.1
2010	10.6
2011	11.2

Disposition of Revenue

Fractional amounts of the severance tax are allocated to the following funds:

- Oil and Gas Well Fund.
- Unreclaimed Lands Fund.
- Coal Mining Administration and Reclamation Reserve Fund.
- Reclamation Supplemental Forfeiture Fund.
- Geological Mapping Fund.
- Surface Mining Administrative Fund.

Payment Dates

Payments are due May 15, Aug. 14, Nov. 14, and Feb. 14 for the quarterly periods ending the last day of March, June, September, and December, respectively. Annual returns are due Feb. 14.

Special Provisions/Credits

The levy imposed on coal operations without a full cost bond can vary from 12 cents to 16 cents depending on the amount in the Reclamation Forfeiture Fund at the end of each fiscal biennium. The current rate, effective Jan. 1, 2010, is 16 cents; the previous rate was 14 cents.

Although not a part of the severance tax, oil and gas well owners are subject to an oil and gas regulatory cost recovery assessment effective July 1, 2010. The assessment is based on a formula that takes into consideration the number of wells owned, the production of those wells, and the amount of severance tax paid. This assessment is reported on the severance tax return by either the owner or severer.

Sections of Ohio Revised Code

Chapter 5749.

1 This base rate does not include an additional 1.2 cents per ton levy for surface mining operations or an additional 12, 14 or 16 cents per ton levy on operations without a full cost bond. The additional rate on operations without a full cost bond varies based on the amount remaining in the Reclamation Forfeiture Fund at the end of each state fiscal biennium. The rate is 12 cents if the balance of the fund is $10 million or more; 14 cents if it is between $10 million and $5 million; and 16 cents if it is $5 million or less.

2 An Mcf is 1,000 cubic feet.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1971	General Assembly enacts House Bill 475, creating the tax effective Jan. 1, 1972.
1981	House Bill 1051 enacts a temporary 1 cent per ton additional tax on coal, to be collected depending on the balance in the Defaulted Areas Fund.
1983	Effective July 1, 1983, House Bill 291 increases rates from 3 cents to 10 cents per barrel on oil and from 1 cent to 2.5 cents per Mcf of natural gas.
1985	House Bill 238 increases the permanent rate on coal from 4 cents to 7 cents per ton, and includes a second 1 cent per ton temporary tax on coal, also conditioned on the balance in the Defaulted Areas Fund. On July 1, 1985, collection begins on both temporary coal levies.
1989	Effective July 1, House Bill 111 increases the rate on limestone, dolomite, sand, and gravel by 1 cent per ton. The bill also levies a 1 cent per ton tax on clay, sandstone, shale, conglomerate, gypsum, and quartzite.
1998	The 122nd General Assembly enacts Senate Bill 187, making one of the temporary 1 cent per ton coal levies permanent effective the following year.
2006	Effective April 1, 2007, House Bill 443 changes the base rate on coal to 10 cents per ton, eliminating the old temporary levy. The bill also adds an additional levy of 1.2 cents per ton for surface mining operations and an additional levy of up to 16 cents per ton on operations without a full cost bond.
2009	House Bill 1 directs all revenue from the salt component of the tax to the Geological Mapping Fund; previously, the fund received only 15 percent of this revenue.
2010	Senate Bill 165 creates an oil and gas "regulatory cost recovery assessment" effective July 1, 2010. While not part of the severance tax, the assessment is reported on severance tax returns.

Comparisons with Other States

(As of March, 2009)

Massachusetts, New Jersey, New York, and **Pennsylvania** do not have severance taxes. Rates in other states are listed below.

State/Resource	Rate
California	
Oil and gas	7.90758 cents per barrel of oil or each 10 Mcf of natural gas.
Timber	2.9 percent of total immediate harvest value.
Florida	
Oil	5 percent of gross value for small well oil and tertiary oil; 8 percent of gross value for all other oil; escaped oil, 12.5 percent additional.
Gas	45.7 cents per 1,000 cubic feet of gas produced.
Sulfur	$4.78 per long ton.
Minerals[1]	8 percent of market value.
Illinois	
Timber	4 percent of market value.
Indiana	
Oil and gas	Either 1 percent of value or 24 cents per barrel and 3 cents per Mcf, whichever is greater.
Kentucky	
Oil	4.5 percent of market value.
Coal and other natural resources[2]	4.5 percent of gross value; the minimum tax on coal for a reporting period is 50 cents per ton severed.[3]

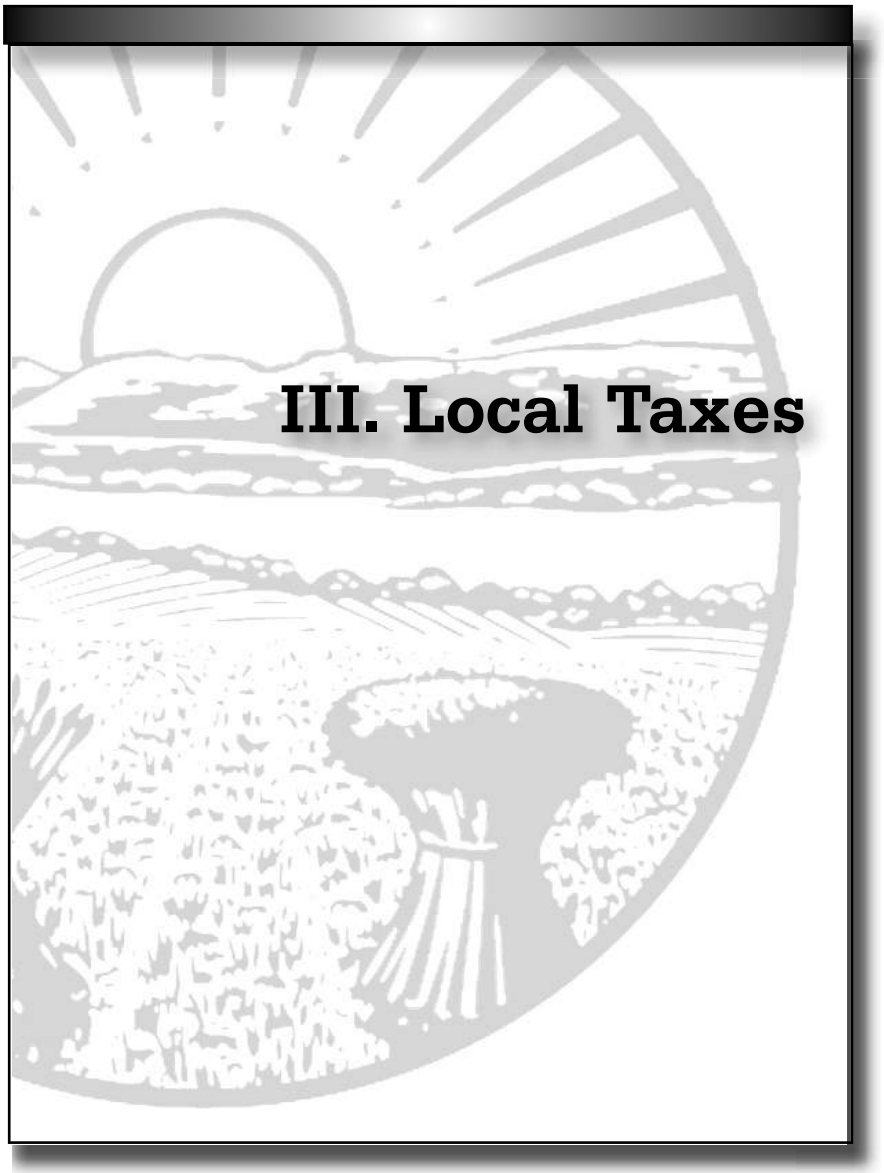
1 Except phosphate rock and heavy minerals.

2 The Kentucky tax on limestone for specified purposes is limited to 14 cents per ton; the tax on clay used for specified purposes is 12 cents per ton. Taxpayers who sell and process clay within the state to landfill owners for the purpose of landfill construction are eligible for a credit equal to tax paid.

3 Coal used for burning solid waste is taxed at the lesser of 50 cents or 4 percent of the selling price per ton.

Michigan	
Oil	7.6 percent of gross value.[1]
Gas	6 percent of gross value.
Ohio	
	(As described in the Rates **section in this chapter.)**
Texas[2]	
Gas	7.5 percent of market value.
Oil and gas condensate	The greater of 4.6 percent of market value or 4.6 cents per 42-gallon barrel.
Recovered oil	2.3 percent of market value.
Sulfur	$1.03 per long ton.
West Virginia	
Coal	5 percent of gross market value.[3]
Coal refuse (or gob piles)	2.5 percent of gross market value.
Coal bed methane	5 percent of gross market value.
Limestone and sandstone	5 percent of gross market value.
Oil	5 percent of gross market value.
Natural gas	5 percent of gross market value plus 4.7 cents per Mcf.
Timber	4 percent of gross market value.
Other natural resources	5 percent of gross market value.

1 In Michigan, a lesser rate of 5 percent of gross cash market value for crude oil from stripper wells and marginal producing properties.
2 Rates shown for Texas do not include additional oil field and gas field clean-up fees.
3 Rate shown includes a 0.35 percent additional local tax on coal. However, the rate shown does not include the following: 14.4 cents per ton of clean coal mined through a surface mine operation, and 58 cents per ton on all coal mined in the state.



III. Local Taxes

Introduction

In Ohio, state and local units of government have varying degrees of authority to impose taxes. Some taxes can be imposed and collected only by the state, although revenue may be shared with local political subdivisions. Other taxes may be imposed and collected locally, where the revenue remains. The following material summarizes the taxing powers at each level of local government in Ohio.

Counties

Counties may levy a sales tax with or without a vote of the people but subject to voter referendum.

Counties also collect a share of property taxes and may impose additional property tax, subject to voter approval, for a variety of purposes, including current expenses, public safety and road maintenance purposes, historic preservation, a zoo, or a cultural facility.

In addition, counties and certain large municipalities may levy, without voter approval, taxes on the cost of admissions for general revenue, or on lodging for either general revenue or the specific purposes of construction and operation of convention or sports facilities.

Counties may also levy, with voter approval, separate taxes on alcoholic beverages and cigarettes for sports facility funding purposes; Cuyahoga County is the only county currently doing so.[1]

Municipalities

Municipalities – meaning, cities and villages[2] – may levy income taxes up to 1 percent; any level above this rate must be approved by voters.

Municipalities may also levy property taxes, generally subject to voter approval, for purposes such as current expenses, police or fire protection, and emergency medical services. They may also levy taxes on lodging or admissions – neither of which requires voter approval – for general revenue or, in certain municipalities, to fund a convention facility.

Townships

Townships may levy property taxes, subject to voter approval, for purposes such as current expenses, police or fire protection or road maintenance. Townships may also levy a tax on lodging, which does not require voter approval, for general revenue.

School districts

School districts may levy **property taxes,** subject to voter approval, for current expenses or a specific purpose, such as school construction. School districts may also levy an **income tax**, subject to voter approval.

Other local authorities and districts

Ohio law also provides for a number of other special-purpose local taxing authorities:

- **Fire districts** may levy **property taxes,** subject to voter approval, for operations or a specific purpose.
- **Special districts**[3] may levy **property taxes,** subject to voter approval, for operations or a specific purpose.
- **Transit authorities** may levy **sales taxes**, subject to voter approval, for operations or a specific purpose.
- **Water or sewer districts** may levy **property taxes,** subject to voter approval, for operations or a specific purpose, such as facility or service line construction.

1 Cuyahoga County also levies a separate cigarette tax to raise revenue for a regional arts and cultural district. Such a tax is only permitted in counties with a population of at least 1.2 million.

2 In Ohio, cities have 5,000 or more inhabitants. Villages have fewer than 5,000 inhabitants.

3 Examples of services provided by special districts include special educational services, libraries, mental health, children's services and senior care services.

Admissions Tax

Taxpayer

The tax applies to operators of movie theaters, theme parks, professional sporting events, and other activities for which there is an admissions charge.

Tax Base

The base of the tax varies from community to community, but may include admissions to theaters, sporting events, and other places of amusement, as well as country club dues. State and local sales taxes generally do not apply to admissions.

Rates

Admissions tax rates vary among municipalities. In 2009, the most recent year for which data is available, 66 municipalities levied an admissions tax, including 50 cities and 16 villages. In 68 percent of these municipalities, the rate was 3 percent; rates overall ranged from 0.5 percent to 8.0 percent.

Revenue

(In Millions)

Calendar Year	Total
2005	$20.9
2006	22.0
2007	24.4
2008	24.3
2009	22.2

All figures are based on an annual survey conducted by the Department of Taxation.

Disposition of Revenue

All revenue is kept by the municipality.

Payment Dates, Special Provisions and Credits

For information on filing and payment of admissions taxes, as well as information on any special provisions or credits that apply to admissions taxes, contact the city or village in which an activity subject to the taxes is located.

Sections of Ohio Revised Code

Section 715.013.

Responsibility for Administration

Responsibility for administration of admissions taxes is determined by the legislative authority of the municipality imposing the tax.

History of Major Changes

1998	General Assembly enacts Ohio Revised Code section 715.013, which explicitly permits municipalities to levy taxes on admissions. Some municipalities had already been taxing admissions for decades.

Comparisons with Other States

(As of August, 2011)

In most states (but not Ohio), admissions are subject to sales tax.

California

Admissions are exempt from sales tax. Operators of stadiums within the city and county of San Francisco are subject to a tax of 50 cents or $2.25 per ticket, depending on ticket price. The city of Santa Cruz charges a 5 percent tax on the price of admission to, events.

Florida

Admissions charges are subject to the state's 6 percent sales tax rate and any applicable local sales tax.

Illinois

Admissions or "amusement" taxes vary among municipalities; the highest rate currently in effect anywhere in Illinois is 12 percent. Chicago charges a rate of 5 percent or 9 percent, depending on the size of the facility or hall. Cook County charges a rate of 3 percent. A riverboat casino admission tax is paid by casinos at a rate of between $3 and $5 per person.

Indiana

Certain counties and cities may authorize taxes on admissions. Tax rates and bases vary. Marion County imposes a 6 percent tax on the admission price of any event. Hendricks County imposes a $1 tax on the price of admission to an amusement park. Local governments may impose a local outdoor admissions tax of 50 cents per each paid admission when events are held at a facility with a capacity of 10,000 or more. Admissions tax is $4 per admission to the Orange County riverboat, and is $3 per admission for any other dockside and cruising casino riverboat.

Kentucky

Admissions are subject to sales tax. Admissions to a live race meeting conducted under the jurisdiction of the Kentucky Horse Racing Authority pay an admissions tax of 15 cents per ticket in lieu of sales tax.

Massachusetts

Massachusetts has no state admissions tax, and admissions are exempt from sales tax.

In Boston, a 5 percent surcharge is imposed on the price of tickets for water-based tours and tourist venues. Any city or town within the counties of Barnstable, Nantucket, Dukes and Bristol may impose a 50 cent embarkation fee per passenger per departing trip on all passenger ferry trips, excluding commuter trips and ferry boats that are licensed to transport not more than 100 passengers.

Michigan

Michigan has no special admissions tax, and admissions are exempt from the sales tax.

New Jersey

Admissions are subject to the state's 7 percent sales tax. Municipalities may charge a 5 percent surcharge on each admission subject to state sales tax.

Atlantic City:

A 9 percent luxury tax is imposed on all live theater performances and other places of amusement. The state sales tax rate is reduced to 4 percent when the luxury tax is imposed.

Cape May County:

A 2 percent county tourism tax is imposed on all theater performances and other places of amusement.

New York

Admissions are subject to a 4 percent state sales tax. The cities of Lockport, Niagara Falls, and Niagara County levy an 8 percent tax on admissions to clubs and cabarets. Localities with horseracing tracks may impose a local racing admissions tax.

Ohio

Admissions are generally not subject to sales tax. An admissions tax may be enacted locally on admissions to theaters, sporting events, and other places of amusement, including country club dues. Rates vary from 1.5 percent to 8 percent; most are at 3 percent.

Pennsylvania

State sales tax is not imposed on admission charges. Municipalities may levy an admissions tax, the maximum rate is 10 percent of admissions price.

Texas

Admissions are subject to sales tax. Municipalities have permissive authority to levy an admissions tax of up to 10 percent on events held at a state-approved facility.

West Virginia

Admissions are subject to state sales tax Local governments may impose an admissions tax with a maximum rate of 2 percent.

Alcoholic Beverage Taxes – County

Taxpayer

Taxpayers include:

- Manufacturers, importers, and wholesale distributors of beer, wine, cider and mixed beverages of up to 21 percent alcohol by volume.
- The Ohio Department of Commerce's Division of Liquor Control, which is the state's sole purchaser and distributor of liquor containing more than 21 percent alcohol by volume.

Tax Base

The tax applies to beer, wine, cider, mixed beverages, and liquor.

Rates

In the past, the Ohio General Assembly permitted counties to levy alcoholic beverage taxes at the following rates:

- Beer: Up to 16 cents per gallon.
- Wine and mixed beverages: Up to 32 cents per gallon.
- Apple cider:[1] Up to 24 cents per gallon.
- Liquor: Up to $3 per gallon.

Cuyahoga County currently levies each of these taxes at the maximum rate. No other county levies such taxes; in 2008, the General Assembly prohibited new local taxes on alcohol.

Major Exemptions

The tax does not apply to:

- Sacramental wine.
- Sales to the federal government.

Revenue

(In Millions)

Fiscal Year	Beer	Wine[2]	Liquor	Admin. Fund	Total
2007	$4.3	$1.1	$5.1	$0.1	$10.6
2008	4.7	1.1	5.1	0.1	11.0
2009	4.5	1.1	5.1	0.1	10.8
2010	4.1	1.2	5.1	0.1	10.5
2011	4.3	1.3	5.1	0.1	10.8

Disposition of Revenue

The county or development corporation is allocated 98 percent to operate or service the debt of a sports facility. The remaining 2 percent is allocated to the Department of Taxation for the administration of the tax.

Payment Dates

Return and payments must be received by the last day of the month following the reporting period.

Special Provisions/Credits

Taxpayers receive a 2.5 percent discount for timely payment of beer, wine and mixed beverage taxes.

Sections of Ohio Revised Code

Sections 307.696, 307.697, 4301.102, and 4301.421.

Responsibility for Administration

- Tax Commissioner (beer, wine and mixed beverages).
- Ohio Department of Commerce, Division of Liquor Control (liquor).

1 Meaning, cider with an alcoholic content of more than 0.5 percent by volume.

2 And mixed beverages.

History of Major Changes

1986	General Assembly authorizes county sports facility liquor taxes.
1990	General Assembly authorizes county sports facility taxes on beer, wine, and mixed beverages and amends law on county sports facility liquor taxes. Later, Cuyahoga County voters enact taxes on beer, wine, and liquor at the maximum rate. Each tax is scheduled to run through July 31, 2004.
1995	Legislature permits counties to enact alcoholic beverage taxes that do not take effect until a current levy expires. Cuyahoga County voters approve a ten-year extension of beer, wine and liquor taxes, which are now due to expire July 31, 2014.
2008	General Assembly enacts House Bill 562, which includes a provision that prohibits future local taxes on alcoholic beverages.

Comparisons with Other States

(As of October, 2010)

California, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, and **Texas** do not have local taxes on alcoholic beverages. **Florida, New Jersey,** and **West Virginia** allow some localities to levy a selective sales tax on alcoholic beverages. Other examples are below (percentages refer to alcohol content, which is measured by volume).

Illinois

Cook County levies taxes on alcoholic beverages at the following rates:

- Beer: 6 cents per gallon
- Alcoholic beverages (less than 14 percent): 16 cents per gallon
- Alcoholic beverages (14 to 20 percent): 30 cents per gallon
- Alcoholic beverages (more than 20 percent): $2 per gallon

Chicago levies taxes on alcoholic beverages at the following rates, which are in addition to the Cook County taxes:

- Beer: 29 cents per gallon
- Liquor (less than 14 percent): 36 cents per gallon
- Liquor (14 to 20 percent): 89 cents per gallon
- Liquor (more than 20 percent): $2.68 per gallon

New York

New York City levies the following taxes:

- Beer: 12 cents per gallon
- Liquor: 26.4 cents per liter

Ohio

Cuyahoga County levies taxes on alcoholic beverages at the following rates:

- **Beer: 16 cents per gallon**
- **Wine and mixed beverages: 32 cents per gallon**
- **Apple cider (over 0.5 percent): 24 cents per gallon**
- **Liquor: $3 per gallon**

Cigarette Tax – County

Taxpayer

Taxpayers are cigarette dealers (primarily wholesalers), who must be licensed and who pay the tax by purchasing tax indicia (stamps or impressions). The indicia must be affixed to all packs of cigarettes before sale at retail in a county that levies such taxes.

Tax Base

Cigarettes.

Rates

In the past, the Ohio General Assembly permitted county cigarette taxes to be levied at the following rates:

- Up to 0.225 cents per cigarette (4.5 cents per pack of 20 cigarettes) for construction of a sports facility.
- Up to 1.5 cents per cigarette (30 cents per pack of 20 cigarettes) for the purpose of funding a regional arts and cultural district in a county with a population of 1.2 million or more.

Cuyahoga County currently levies both of these taxes at the maximum rate. No other county levies a tax on cigarettes; in 2008 the General Assembly prohibited new local taxes on cigarettes.

Major Exemptions

None.

Revenue

(In Millions)

Fiscal Year	Revenue	Adm. Fund	Total
2007	$12.9	$0.3	$13.2
2008	23.0	0.5	23.5
2009	21.6	0.4	22.1
2010	20.5	0.4	20.9
2011	19.9	0.4	20.3

Disposition of Revenue

The county or development corporation receives 98 percent of revenue. In Cuyahoga County, this revenue is split as follows:

- 13.04 percent goes to operate or service the debt of a sports facility.
- 86.96 percent goes to the regional arts and cultural district.

Two percent of revenue is distributed to the Department of Taxation for the administration of the tax.

Payment Dates

See the **Cigarette and Other Tobacco Products Tax** chapter in the **State Taxes** section.

Special Provisions/Credits

See the **Cigarette and Other Tobacco Products Tax** chapter in the **State Taxes** section.

Sections of Ohio Revised Code

Sections 307.696, 307.697, 351.26, 3381.04, 5743.021 and 5743.024.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1986	General Assembly authorizes county sports facility cigarette tax.
1990	Voters of Cuyahoga County approve a 4.5 cents-per-pack tax to run through July 31, 2005. Revenue is intended to finance sports facilities for the Cleveland Indians and Cavaliers.
1995	In July, the Ohio General Assembly permits counties to extend cigarette taxes that have not yet expired. In November, Cuyahoga County voters extend the county sports facility cigarette tax for ten years, through July 31, 2015, in order to support facility improvements for the Cleveland Browns.

2006	The General Assembly authorizes counties with a population of 1.2 million or more to levy a cigarette tax to fund a regional arts and cultural district. Cuyahoga County voters enact such a tax, at 30 cents per pack, to take effect Feb. 1, 2007.
2008	The General Assembly enacts House Bill 562, which includes a provision that prohibits future local taxes on cigarettes.

Comparisons with Other States

(As of December, 2008)

California, Florida, Indiana, Kentucky, Massachusetts, Michigan, New Jersey, Pennsylvania, Texas, and **West Virginia** do not have local taxes on cigarettes.

In **Illinois,** Cook County levies a $2 per pack cigarette tax, and additional local cigarette taxes apply in Chicago (68 cents) and Evanston (50 cents).

In **New York,** a $1.50 per pack tax applies in New York City.

Gross Casino Revenue Tax

Taxpayer

The tax is paid by casino operators of a casino facility at a location authorized by Article XV, Section 6(C) of the Ohio constitution.

Tax Base

The tax applies to the gross casino revenue received by each casino operator. "Gross casino revenue" means the amount of money exchanged for the purchase of chips, tokens, tickets, electronic cards, or similar objects by casino patrons, less winnings paid to wagers.

Rates

The Ohio constitution sets the tax rate at 33 percent of the casino operator's gross casino revenue at the casino facility.

Major Exemptions

None.

Revenue

No revenue had been collected from the gross casino revenue tax as of the end of the 2011 fiscal year.

Disposition of Revenue

Revenue from the tax will be distributed as follows:

- 51 percent to the Gross Casino Revenue County Fund, where it is distributed in proportion to the population of each of Ohio's 88 counties. Utilizing the 2000 United States Census Bureau census, in counties whose largest city has a population greater than 80,000, revenue from this fund is split evenly between county government and the largest city. In other counties, all revenue is directed to county government.
- 34 percent to the Gross Casino Revenue County Student Fund, where it is distributed in proportion to counties' respective public school district student populations.
- 5 percent to the host city of the casino.
- 3 percent to the Ohio State Racing Commission.
- 3 percent to the Ohio Casino Control Commission. Of this amount, one cent of every dollar distributed to this fund is utilized to defray costs incurred in administering this tax.
- 2 percent to the Problem Casino Gambling and Addictions Fund to support efforts to alleviate problem gambling and substance abuse and to fund related research.
- 2 percent to the Ohio Law Enforcement Training Fund. Of this amount, 85 cents of every dollar distributed to this fund is directed to the Ohio Peace Officer Training Academy. The rest is directed to the Department of Public Safety's Office of Criminal Justice Services.

Payment Dates

Casino operators, each day the banks are open for business, are required to file a daily return before noon. An electronic payment must accompany the return.

Sections of the Revised Code

Chapter 5753 and chapter 3772.

Responsibility for Administration

The Tax Commissioner administers the tax. The Ohio Casino Control Commission regulates casinos.

History of Major Changes

2009	Ohio voters approve an amendment to the Ohio constitution authorizing one casino each in Cincinnati, Cleveland, Columbus and Toledo. The amendment also requires a 33 percent tax on gross casino revenue.

2010	In May, voters approve an amendment to the Ohio constitution that relocates the future Columbus casino from the city's arena district to its west side. In June, the General Assembly passes House Bill 519, implementing the tax on gross casino revenue through a new Chapter 5753 to the Ohio Revised Code.

Comparisons with Other States

(As of October, 2010)

Comparable casinos and casino taxes do not exist in **California, Kentucky, Massachusetts** or **Texas**. For other comparison states, the table below describes the taxes that apply to land-based casinos not located at a racetrack ("casinos"), riverboat casinos ("riverboats"), and casinos located at a racetrack ("racinos").

Other forms of gambling, such as tribal casinos, card rooms, and electronic gaming device facilities, also take place in some comparison states, but these forms of gambling are not included in this comparison.

State	Types of Facilities	Tax Base and Rate
Florida	Racinos (slot machines only)	A 50 percent tax applies to gross gaming revenue.[1]
Illinois	Riverboats	Graduated tax rates from 15 percent to 50 percent apply to gross gaming revenue; a $2–3 admissions tax also applies.
Indiana	Casinos, riverboats, and racinos (slot machines only)	Graduated tax rates from 15 percent to 40 percent apply to gross gaming revenue; a $3 admissions tax also applies.
Michigan	Casinos	A 19 percent (for permanent facilities) or 24 percent (for temporary facilities) tax applies to gross gaming revenue; state and municipal service fees are also levied annually.
New Jersey	Casinos	An 8 percent tax applies to gross gaming revenue as well as a community investment alternative tax of 2.5% of gross gaming revenue.
New York	Racinos (video lottery terminals only)	No tax, but the state retains 65 percent of gross receipts.
Pennsylvania	Casinos and racinos	A 55 percent tax applies to gross gaming revenue.
West Virginia	Racinos (video lottery terminals and, in most locations, lottery-run table games)	No tax, but the state retains 56.7 percent of gross receipts.

Source: "2010 AGA Survey of Casino Entertainment," American Gaming Association.

1 This percentage does not include what operators allocate to horse and dog breeders funds, local authorities, or problem gambling awareness.

Individual Income Tax – School District

Taxpayer

In districts with the "traditional" tax base, the taxpayer is every individual residing in a school district that levies the tax, as well as every estate of a decedent who, at the time of death, was residing in such a school district. The tax is levied on all types of income.

In districts with an "earned income only" tax base, the taxpayer is every individual with wages, salaries, tips and other employee compensation or self-employment income residing in a school district that levies the tax.

Tax Base

Ohio taxable income:

The "traditional" tax base is Ohio taxable income, meaning Ohio adjusted gross income, less $1,650 for each personal and dependent exemption claimed on the Ohio individual income tax return for taxable year 2011. The value of these exemptions is indexed to inflation.

Earned income only:

Some school districts have enacted a tax that applies to earned income only. In these districts, the tax base includes wages, salaries, tips and other employee compensation as well as self-employment income from sole proprietorships, partnerships and limited liability companies treated as partnerships for income tax purposes. It does not include unearned income such as retirement income, lottery winnings, interest, dividends, capital gains, profits from rental property and distributive shares of profit from S corporations. Residents of "earned income only" school districts are not entitled to personal and dependent exemptions.

Rates

Rates must be in multiples of 0.25 percent. Also, rates must be approved by a vote of the school district residents before implementation.

As of January 2011, rates ranged from 0.25 percent to 2 percent in the 181 school districts that levied an income tax. Overall, Ohio has 614 public school districts.

Of the 181 districts levying an income tax, 30 used the "earned income only" base.

Revenue

(In Millions)

Fiscal Year	District Revenue	Admin. Fund	Total
2007	$266.9	$4.3	$271.2
2008	311.7	5.0	316.7
2009	305.7	5.0	310.7
2010	299.0	4.9	301.9
2011	320.3	5.2	325.5

Disposition of Revenue

The Tax Commissioner returns all revenue collected after refunds issued to taxpayers to the school district, less 1.5 percent retained for administrative purposes.

Payment Dates

Payment dates are the same as for the state individual income tax and state withholding tax, except that employers with larger payrolls remit withholding monthly, rather than on a partial weekly basis. Individual taxpayers must file a quarterly estimated payment if they expect to be under-withheld by more than $500 for the combined school district and Ohio individual income taxes.

Special Provisions/Credits

Senior citizen credit:

A taxpayer 65 years of age or older during the taxable year receives a $50 credit against the amount of school district income tax due. Only one credit is allowed for each return.

Sections of Ohio Revised Code

Chapters 5747 and 5748.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1979	General Assembly grants school districts authority to levy an income tax solely for repaying a state loan.
1981	Legislature repeals 1979 law and enacts Chapter 5748 of the Ohio Revised Code, authorizing school districts to enact a school district income tax based on Ohio taxable income (meaning Ohio adjusted gross income, less personal and dependent exemptions claimed on the Ohio individual income tax return.)
1983	General Assembly blocks additional school districts from enacting the tax by repealing most of Chapter 5748, but permits the six districts that had enacted the tax before Aug. 3, 1983 to continue doing so.
1989	The General Assembly reinstates portions of Chapter 5748, allowing additional school districts to levy the tax. Lawmakers also enact a $50 senior citizen credit.
1991	For the first time, school districts are permitted to seek voter approval for income taxes for finite periods of time. Previously, all levies had to be continuing levies.
1992	General Assembly permits districts to submit to voters an income tax levy and a property tax reduction with a single ballot issue.
1997	Personal exemptions indexed to inflation beginning in 2000.
2005	General Assembly gives districts the option of levying the tax on earned income – meaning, only wages and self-employment income – instead of on the traditional base of Ohio taxable income.

Comparisons with Other States

(As of October, 2010)

California, Florida, Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Texas, and **West Virginia** do not have school district income taxes.

Kentucky

Local school boards may levy an occupational license tax on compensation of individuals or on net profits of business at a rate up to 0.5 percent. In counties with a population over 300,000, the tax rate can be up to 0.75 percent.

Ohio

School districts can levy a tax in multiples of 0.25 percent; rates range from 0.25 percent to 2 percent. The tax can be enacted on either a "traditional" base (Ohio taxable income) or an "earned income only" base (wages and self-employment income).

Pennsylvania

School districts (except for the School District of Philadelphia) are authorized to levy a tax up to 1.5 percent on earned income and net profits of residents. Certain school districts are exempt from the cap, including:

- *Pittsburgh*: The Pittsburgh School District levies an income tax at 2 percent on earned income and net profits.
- *Philadelphia*: The School District of Philadelphia levies a tax on the non-business income of Philadelphia residents. The tax is applied to the net income from the ownership, lease, sale, or other disposition of real property and tangible and intangible personal property, including the net income paid to any beneficiary of a trust or estate and the income of any trust or estate of which such person is the substantial owner. In 2010 the tax rate was 3.928 percent.

Lodging Tax

Taxpayer

This tax is paid by operators of hotels, motels, rooming houses, and other facilities providing lodging accommodations for transient guests.

Tax Base

The tax applies to all transactions by which lodging in a hotel, motel, rooming house, and other lodging accommodations are furnished to transient guests. These transactions are also subject to sales tax.

Rates

The maximum combined tax rate permitted in most locations is 6 percent. However, due to the enactment of special lodging taxes in some jurisdictions, the maximum combined tax rate sometimes exceeds 6 percent.

As of Dec. 31, 2009, the highest combined tax rates imposed in counties where jurisdictions have enacted a special lodging tax were 13 percent in Lucas County (in one township; 10 percent in most of the remainder of the county), 10.5 percent in Hamilton County, 10 percent in Franklin County, 9.5 percent in Cuyahoga, 9 percent in Guernsey County, 8.5 percent in Summit County, 8 percent in Ashtabula and Muskingum counties, 7.5 percent in Fairfield counties, 7.25 percent in Ross County and 7 percent in Trumbull County.

In 2009, the most recent year for which data is available, 64 counties, 135 townships, and 186 municipalities (including 142 cities and 44 villages) – a total of 385 localities – levied a lodging tax. Excluding the 11 counties with special lodging taxes, as listed above, rates ranged from 1 percent to 6 percent. Responding to a Department of Taxation survey, approximately 76% of the localities with a lodging tax were levied at a 3% rate.

The general authority for counties, municipalities and county convention facility authorities to levy lodging taxes is described below.

Municipalities and Townships:

Under a 1967 law, municipalities and townships are permitted to enact a lodging tax of up to 3 percent. Under a law enacted in 1980, municipalities and townships may levy an additional lodging tax of up to 3 percent – but only if the county in which the municipality or township is located has not already imposed a tax under this same law. Therefore, with one exception, noted below, municipal and township lodging taxes have a maximum 6 percent rate.

In 2002, the legislature enacted House Bill 518, which permitted a municipality to levy an additional 1 percent tax for funding a convention center, contingent on the county in which the municipality is located also enacting a special lodging tax for funding a convention center. Cincinnati enacted a 1 percent tax under this law, bringing its total rate to 4 percent.

Counties:

Under a 1980 law, counties may levy a lodging tax of up to 3 percent except in those townships and municipalities that already enacted their own lodging tax under the same law.

In addition, various special county lodging taxes have been authorized under state law. Most of these special taxes could only be adopted by a board of county commissioners during a limited time period. Furthermore, revenue produced from these special taxes may only be used for specified purposes. Most of the special county lodging taxes have been restricted to a narrow class of counties, such as counties meeting certain population levels and counties that already had an existing lodging tax imposed for specific purposes. See **Special Provisions/Credits** in this chapter for details.

County Convention Facility Authorities:

In 1988, the General Assembly permitted convention facility authorities to enact an additional lodging tax of up to 4 percent only during a designated six-month period of that calendar year. The legislature also permitted an additional 0.9 percent rate during this time period as long as this tax and the municipal or township tax authorized by the 1967 law did not exceed 3 percent.

Also, in 2005, convention facility authorities located in certain Appalachian counties with populations less than 80,000 and which did not already levy a lodging tax were authorized, for a limited time, to enact a tax of up to 3 percent to pay the cost of constructing, equipping or operating a convention, entertainment or sports facility.

Major Exemptions

None.

Revenue

(In Millions)

Calendar Year	Total
2004	$106.1
2005	114.4
2006	122.5
2007	131.7
2008	134.1
2009	118.5

Note: These figures are as reported by counties, townships, and municipalities responding to a Department of Taxation survey.

Disposition of Revenue

Under the lodging tax authorized in 1967, all tax collections are deposited in the general revenue fund of the municipality or township.

Under the lodging tax authorized in 1980, counties are required to return to municipalities and townships that do not levy any hotel/motel tax a uniform percentage (not to exceed 33⅓ percent) of revenue generated within the municipality and township. The remainder of the revenue is to be deposited in a separate fund to be used for county convention and visitors bureau expenses.

Municipalities and townships are required to allocate at least one-half of the revenues from the lodging tax authorized in 1980 for convention and visitors bureaus located within the county. Remaining revenues are retained by the municipality or township and deposited into the local general revenue fund.

All revenue from a convention facility authority lodging tax levy is for constructing, equipping, and operating a convention or sports center. Revenue from a special county or municipal lodging tax is to be used for the purpose designated for that tax levy in state law.

Payment Dates

Monthly or quarterly.

Special Provisions/Credits

The General Assembly has authorized the enactment of a lengthy list of special lodging taxes, including in the following counties:

Ashtabula County:

The county enacted an additional 3 percent tax for constructing or operating a convention facility during a Sept. 9, 2002 through Sept. 30, 2002 window authorized by House Bill 518.

Cuyahoga County:

The county enacted an additional 1.5 percent lodging tax for the Rock and Roll Hall of Fame during a Dec. 22, 1992 through March 21, 1993 window permitted by the legislature.

Fairfield County:

The county enacted an additional 1.5 percent tax for the acquisition, construction and equipping of a municipal educational and cultural facility during a June 30, 1993 to Sept. 30, 1993 window authorized by the General Assembly.

Franklin County:

In 1988, Franklin County's convention facilities authority enacted a 4 percent levy during a June 29 through Dec. 31, 1988 window authorized by the General Assembly. At that time, Franklin County's convention facilities authority also levied an additional 0.9 percent tax within the city of Columbus, which was offset by a 0.9 percent tax reduction enacted by the city of Columbus.

Guernsey County:

In 1988, Guernsey County's convention facilities authority enacted a 3 percent levy during a June 29 through Dec. 31, 1988 window authorized by the General Assembly.

Hamilton County:

During a Sept. 6, 2002 through Sept. 30, 2002 window authorized by House Bill 518, Hamilton County enacted an additional tax of 3.5 percent for constructing or operating a convention facility. Contingent on Hamilton County's action, H.B. 518 permitted the city of Cincinnati to enact an additional 1 percent tax for building or operating a convention facility. The city did so.

The county first enacted a special levy of 3 percent for convention center construction during a July 15, 1985 to Oct. 15, 1985 window permitted by the legislature. In 1997, Lucas County was permitted to enact an additional 2 percent for the county convention and visitors bureau in promoting the region, and it did so. In 2006, Lucas County was permitted to enact an additional 2 percent for purposes including construction of a new arena, and it did so. The tax is not charged in the city of Maumee or in Jerusalem, Springfield or Swanton townships because these communities were already imposing a tax at the time this levy was enacted. Monclova Township later imposed its own lodging tax in 2007 in addition to the county tax, making the combined rate in that township 13 percent.

Muskingum County:

In 1988, Muskingum County's convention facilities authority enacted a 4 percent levy during a June 29 through Dec. 31, 1988 window authorized by the General Assembly.

Ross County:

Ross County's convention facilities authority enacted a 1.25 percent levy in 2005, during a special window authorized for Appalachian counties with populations less than 80,000 without a convention facilities authority-enacted tax.

Summit County:

In 1993, the county enacted an additional 1.5 percent tax for the acquisition, construction and equipping of a municipal educational and cultural facility during a June 30, 1993 to Sept. 30, 1993 window authorized by the General Assembly. In addition, Summit County passed an additional 1 percent tax in 2007 for a period of ten years to fund the county convention and visitor's bureau.

Trumbull County:

In 2003, the legislature enacted Ohio Revised Code section 5739.09(A)(5), permitting counties to increase lodging taxes by up to 2 percent in support of a "port authority military-use facility." The following year, Trumbull County commissioners used this provision to increase its lodging tax from 2.5 percent to 4 percent.

Sections of Ohio Revised Code

Sections 307.672, 307.695, 351.021, 505.56, 505.57, 5739.08, and 5739.09.

Responsibility for Administration

County commissioners, township trustees, legislative authority of a municipality, and/or convention facilities authorities.

History of Major Changes

1967	General Assembly authorizes municipalities and townships to levy a lodging tax of up to 3 percent.
1980	Legislature permits counties to levy a lodging tax of up to 3 percent, but only if no municipality or township located wholly or partly within the county already enacted a tax under the same law. Also, municipalities and townships are authorized to enact an additional tax of up to 3 percent if a county lodging tax is not in effect.
1994	General Assembly revises 1980 law so that counties may enact a lodging tax of up to 3 percent in those areas of the county where a municipal or township tax had not been levied under the 1980 law.
2001	House Bill 94 permits counties, cities, villages and townships to broaden their lodging taxes to include establishments with fewer than five rooms. The bill also permits the assessment of penalties and interest for late payments.

Comparisons with Other States

(As of July, 2011)

California

Certain redevelopment agencies and the legislative bodies of cities and counties are authorized to levy a tax on the privilege of occupying a room in a hotel, inn, motel, or other lodging, including campsites. When levied by a county, the tax is only applicable to the unincorporated areas of the county. The lodging tax is in lieu of a sales tax. In 2011 the maximum rate was 15 percent (in Anaheim).

Florida

Counties are authorized to enact an array of taxes on lodging, including surtaxes on sleeping arrangements, tourism development taxes, tourist impact taxes, and convention development taxes. The maximum rate in effect for any locality in 2010 was 20 percent, which includes 6 percent in a combined locally-assessed lodging tax rate and a 6 percent sales and use tax rate on transient accommodations.

Illinois

In general, municipalities and counties can impose a tax of up to 5 percent of gross rental receipts – in addition to the state's effective hotel occupancy tax rate of 5.64 percent. The combined hotel tax rate in Chicago's central business district, in 2010, was 15.39%. Lodging taxes are in lieu of a sales tax.

Indiana

Counties are able to impose a tax on lodging with a maximum rate of 5 percent. However, counties that pass an innkeeper's tax may levy a tax rate greater than 5 percent. Sixty-three counties levy an innkeeper's tax. In 2009 the maximum innkeeper's tax rate was 10.0%, in Marion county. The lodging tax is in addition to the sales tax.

Kentucky

Local governments may charge a tax on the rental of transient lodging facilities. The rate may range between 1 percent and 7.5 percent, depending on location, class of government, and the existence of a local tourist and convention facility. The lodging tax is in addition to the 6 percent sales tax.

Massachusetts

In 2011 the state imposed a tax of 5.7 percent. Localities have the option of imposing an additional tax of up to 6 percent (6.5 percent in Boston). Some counties levy an additional 2.75 percent convention center fee. Lodging taxes are in lieu of the state sales tax.

Michigan

Local governments may impose a tax of up to 5 percent. Convention and tourism bureaus may enact a tax of up to 2 percent in counties with populations over 1.5 million (meaning, Detroit's Wayne County) or up to 5 percent in counties with populations under 650,000. With voter approval, eligible municipalities may enact a tax of up to 1 percent to support the construction of stadium or convention center facilities. A convention facility development tax with a rate of 1.5 percent to 6 percent (determined based upon population figures and the number of rooms in the lodging facility) may be imposed on accommodations. Both lodging and sales taxes are assessed on transient lodging; however, for purposes of calculating the lodging tax, sales taxes are not incorporated into the taxable base.

New Jersey

New Jersey and its local governments and local taxing districts assess a variety of state and local sales taxes, lodging taxes, occupancy taxes, tourism taxes, development taxes and luxury taxes that combined may not exceed 14 percent. The state imposes a 1 percent to 5 percent state occupancy rate, depending on the local tax rates. Local taxes vary greatly depending on existence of sports and entertainment facilities, or airport facilities. New Jersey sales tax also applies to transient lodging.

New York

Certain counties, cities and villages are authorized to impose hotel occupancy taxes. New York City's rate is 5.875 percent plus an additional tax of 50 cents to $2 based on the daily rental rate plus an additional fee of $1.50 per unit per day. In New York, state and local sales taxes also apply to transient lodging.

Ohio

In calendar year 2009, in 53 out of 64 counties, locally-enacted rates range up to 6 percent. In the 11 remaining counties, rates range as high as 13 percent in (parts of Lucas County.) In Ohio, state and local sales taxes also apply to transient lodging.

Pennsylvania

The state occupancy tax is collected in lieu of the state sales tax at a rate of 6 percent. Any county may impose a hotel room rental tax of up to 3%, in addition to the state occupancy tax. Several locations, based on population trends, may impose a hotel room rental tax of up to 5%. Allegheny County (Pittsburgh) imposes a hotel room rental tax of 7%. The city of Philadelphia also imposes a hotel room rental tax of 7% plus an additional hospitality tax of 1.2%.

Texas

The hotel occupancy tax, imposed in lieu of the sales tax, is 6 percent. The maximum county rate in most cases is 7 percent; certain counties may impose a tax of up to 9 percent. A qualifying municipality may impose a tax of up to 9 percent. The cities of Houston, Dallas and San Antonio are exempt from the 9 percent rate cap.

West Virginia

Cities and counties are able to impose a hotel occupancy tax rate up to 6 percent on hotel rooms. Room rental is also subject to the state sales and use tax. There is no state hotel occupancy tax.

Manufactured Home Tax

Taxpayer

The manufactured home tax applies to all owners of manufactured or mobile homes that are situsedin Ohio and are not otherwise exempt. Homes acquire situs when they are located in Ohio through their placement on real property here, except when part of the inventory of a dealer in manufactured or mobile homes.

Tax Base

If a manufactured home was first situsedin Ohio or had ownership transferred on or after Jan. 1, 2000, it is assessed like (but not as) real property – meaning, at 35 percent of true value. This also applies to homes located in Ohio before Jan. 1, 2000, if the owner makes an election to have the home taxed like real property.

For manufactured or mobile homes situsedin Ohio prior to Jan. 1, 2000, the assessed value is 40 percent of the amount derived by multiplying the greater of either the home's cost or market value at the time of purchase by a depreciation percentage (from one of two alternative schedules).

Rates

Tax rates vary according to the property tax levies in effect where the manufactured home is located. The effective rate also varies according to how the property is assessed for tax purposes:

- For homes assessed at 35 percent of true value (like real property), the manufactured home tax is based on the same credits and effective tax rates that apply to real property.
- For homes assessed at 40 percent of depreciated cost or market value, the tax is based on the full (or gross) local tax rate. A minimum tax of $36 per year applies to homes assessed with the depreciation schedules, unless the home qualifies for the homestead exemption, in which case no minimum exists.

Major Exemptions

A manufactured or mobile home is not subject to this tax when:

- it is part of the inventory of a new motor vehicle dealer or the inventory of a manufacturer, remanufacturer, or distributor of manufactured or mobile homes.
- it is a travel trailer (not exceeding 35 feet in length) or a park trailer meeting certain conditions.
- it is licensed in another state, unless it is located in Ohio for more than 30 days in any calendar year.
- it is taxed as real property.
- it is exempt from taxation under Chapter 5709 of the Ohio Revised Code.

Revenue

(In Millions)

The following table excludes revenue from manufactured homes that have been converted to real property and are now taxed as (not just like) real property.

Calendar Year	Depreciation Basis	Like Real Property	Total Tax
2005	$15.8	$24.0	$39.8
2006	13.7	24.7	38.4
2007	12.3	25.5	37.8
2008	10.3	24.8	35.1
2009	9.4	24.3	33.7
2010	8.2	24.5	32.7

Disposition of Revenue

Revenue is distributed to the taxing subdivisions of each county in the same manner as other real estate and public utility taxes are distributed. However, 4 percent goes to the county auditor and 2 percent goes to the county treasurer as reimbursement for administrative costs.

Payment Dates

If the manufactured or mobile home is located in the state on Jan. 1, one-half of the tax

is due by March 1, and the balance is due by July 31. If the home is not located in Ohio on Jan. 1, then no tax is due for that year.

The Tax Commissioner may grant extensions of these due dates upon application by a county treasurer alone or by a county auditor and county treasurer together.

Special Provisions/Credits

The homestead exemption for qualified senior citizens and disabled home owners is also available to owners of manufactured homes. See the **Property Tax – Real** chapter for details on the homestead exemption.

Sections of Ohio Revised Code

Sections 4501.01 and 4503.06 – 4503.0611.

Responsibility for Administration

County auditor, county treasurer, and Tax Commissioner.

History of Major Changes

1920	The 83rd General Assembly enacts separate license taxes for motorcycles, passenger cars, and commercial vehicles. Trailers are taxed as commercial vehicles, at 20 cents per 100 lbs of gross weight or fractional part thereof.
1949	General Assembly distinguishes "house trailers" from other trailers and levies an $18 annual license tax on them effective March 1, 1951. Revenue is distributed to local political subdivisions.
1961	House trailer tax enacted as an *ad valorem* tax. Starting in 1962, house trailers will be valued at 40 percent of its cost or market value at the time of purchase, whichever is greater, less a depreciation percentage. A minimum tax of $18 applies.
1963	Legislature enacts a second depreciation schedule for house trailers that are purchased unfurnished.
1969	Depreciation schedule allowances increase.
1980	Legislature requires that the taxes owed are collected before a certificate of title is transferred.
1984	"House trailers" are renamed "manufactured homes" in the Revised Code.
1986	Legislature extends homestead exemption to certain owners of manufactured homes, effective tax year 1988.
1999	General Assembly requires that manufactured homes be taxed like (but not as) real property when first located in Ohio on or after Jan. 1, 2000 or when ownership is transferred on or after that date. Such homes remain on the manufactured home tax list, but the same tax rates and credits apply as apply to residential real property. Manufactured or mobile homes sitused in Ohio prior to Jan. 1, 2000 remain subject to depreciation method of taxation, unless the owner elects to have the home taxed like real property. The legislature also: • subjects used manufactured and mobile homes to transfer fees and taxes beginning Jan. 1, 2000. • requires owners who wish to move a manufactured or mobile home to first obtain a relocation notice from the county auditor and pay the outstanding taxes charged against the home.
2003	Manufactured home park operators are permitted to remove an abandoned home from the park for sale or destruction.
2004	The Ohio Manufactured Homes Commission is established to regulate the installation of manufactured housing in Ohio. The commission is charged with setting a statewide standard for a permanent foundation, to which a manufactured or mobile home must be affixed before it can be converted to real property.
2007	House Bill 119 extends the expansion of the homestead exemption (see **Property Tax – Real Property** chapter) to qualified manufactured home owners, regardless of how the manufactured home is taxed.

Comparisons with Other States

(As of November, 2007)

California

Base: Assessed and taxed as real property if on permanent foundations. Mobile homes not on permanent foundations are taxed as personal property.

Rate: Total of local tax levies. Maximum amount of tax on real property cannot exceed 1 percent of full cash value.

All other manufactured or mobile homes are subject to a motor vehicle license fee at

a rate of 2 percent of the market value of the manufactured or mobile home.

Florida

Base: Assessed and taxed as real property if permanently affixed to property and the owner of the mobile home is also the owner or part-owner of the land. Mobile homes are generally subject only to a license tax.

Rate: The total tax rate includes all lawful local levies.

Illinois

Base: Assessed and taxed as real property if permanently affixed to property. Mobile homes on temporary foundations are subject to a privilege tax in lieu of property tax.

Rate: Except for counties with a population of at least 2 million, a privilege tax is charged based on square footage and age of model; it ranges from 7.5 cents to 15 cents per square foot.

Indiana

Base: Assessed and taxed as real property if attached to permanent foundations or located on owner's land. Mobile homes not meeting these requirements are assessed and taxed as personal property.

Rate: The total tax rate includes all lawful state and local levies.

Kentucky

Base: Classified as real property and assessed at 100 percent of fair cash value.

Rate: The total tax rate includes all lawful state and local levies.

Massachusetts

Base: Assessed and taxed as real property if attached to real estate and used as a permanent residence. If located in a licensed manufactured home park, exempt from property tax but subject to a monthly license fee.

Rate: The total tax rate includes all lawful state and local levies.

Michigan

Base: Assessed as real property if without a fixed undercarriage or located on land assessable as real property. If located in a mobile home park, it is taxed as a trailer coach at a rate of $3 per month.

Rate: The total tax rate includes all lawful state and local levies; the total rate cannot exceed 15 mills.

New Jersey

Base: Assessed as real property when affixed to the land on a permanent foundation or connected to utility systems and habitable as a permanent dwelling. A manufactured home installed in a mobile home park may be subject to an annual municipal service fee in lieu of property taxes.

Rate: Total of local tax levies with limitations imposed.

New York

Base: Assessed as real property if attached to a foundation. A mobile or manufactured home adaptable to motivation is taxed as real property unless it has been located in the assessing district for less than 60 days, it is unoccupied and for sale, or it fits the criteria for a recreational or seasonal-use vehicle. The value of the mobile home is included in the value of the land upon which it is located unless the land or the mobile home is specifically exempted from the property tax.

Rate: Total of local tax levies.

Ohio

***Base*: Assessed like (but not as) real property if situsedon or after Jan. 1, 2000 or by election of the owner. Otherwise, assessed at 40 percent of depreciated cost or market value.**

***Rate:* If assessed like real property, the same effective tax rates apply as apply to real property. Otherwise, the full (gross) local tax rate applies.**

Pennsylvania

Base: Assessed as real property if permanently attached to land or connected to utility systems for over three years.

Rate: Total of local tax levies.

Texas

Base: Assessed as real property if the owner of the home and land is the same. If the owner of the home and land are different (property leased/rented), the home is taxed as personal property.

Rate: Total of local tax levies.

West Virginia

Base: Assessed as residential real property if affixed to land, the owner of the land is the same, and the owner also occupies the home. All mobile homes not situated on land owned by the owner of the mobile home are taxed as personal property.

Rate: Total rate charged is the aggregate rate of all state and local district levies.

Municipal Income Tax

Taxpayer

The tax is paid by residents of a city or village that has imposed a municipal income tax as well as nonresidents who work in such a municipality.

The tax also applies to businesses that have earned net profits within the municipality.

Also, withholding responsibilities generally apply to employers located within municipalities that have enacted a tax.

Tax Base

The tax generally applies to:

- Wages, salaries, and other compensation earned by residents of the municipality and by nonresidents working in the municipality.
- Net profits of business (both incorporated and unincorporated) attributable to activities in the municipality. Net profits are apportioned using equal weighting of property, payroll, and sales inside the municipal corporation relative to those factors for the business everywhere.
- Net profits from rental activities.

Rates

State law requires a flat rate within a municipality. The rate is determined locally. The maximum rate without voter approval is 1 percent.

In 2009, the most recent year for which data is available, 577 municipalities (236 cities and 341 villages) levied the tax. Rates ranged from 0.4 percent to 3 percent.

Major Exemptions

State law requires the exemption of:

- Military pay or allowances.
- Income of religious, charitable, or educational institutions to the extent derived from tax-exempt property or activities.
- Public utilities that are subject to the public utilities excise tax. This does not include telephone companies and electric light companies, which are subject to the municipal tax under Ohio Revised Code Chapter 5745; see the **Municipal Income Tax for Electric Light Companies and Telephone Companies** chapter for details.
- Interest and dividends.
- Pensions and disability benefits.
- Capital gains and losses.

Personal exemptions are not granted.

Revenue

(in Millions)

Calendar Year	Total
2005	$3,776.5
2006	3,975.0
2007	4,106.0
2008	4,164.5
2009	3,937.1

Disposition of Revenue

Collections are usually placed into the general fund of the municipality imposing the tax. Some municipalities earmark portions of revenue for capital improvements, bond retirement, and administration of the tax.

Payment Dates

Annual returns are due from taxpayers on the same date as federal and state returns, normally April 15. The annual municipal return reconciles tax liability with the amount remitted through withholding and quarterly estimated payments.

Special Provisions/Credits

Municipalities may offer partial or full credit to residents who pay municipal income taxes to a different municipality where they are employed.

Before 2001, if a school district was at least 95 percent coterminous with one or more municipalities, a municipal income tax could be enacted for which revenue is shared with the school district.

Although the Ohio legislature revoked this authority for all other communities beginning

in 2001, it has since re-enacted this authority under the condition that only residents would be subject to the municipal income tax.

Section of Ohio Revised Code

Chapter 718.

Responsibility for Administration

Municipal income taxes are administered either directly by the city or village that imposed the tax or a central collection agency representing various municipalities.

History of Major Changes

1946	Toledo enacts first municipal income tax.
1957	General Assembly enacts Uniform Municipal Income Tax Law establishing broad regulations.
1987	General Assembly prohibits municipalities from taxing income from intangibles, unless voters in municipalities that already tax such income approve continuing to do beyond the 1988 tax year. Residents in two municipalities – Wyoming and Indian Hill – vote to continue to tax intangible income.
1992	Municipalities are given the authority to grant job creation credits.
1993	Legislature allows municipal income tax revenue to be shared with a school district.
1997	Municipalities are permitted to exempt stock options from taxation.
1999	Beginning in 2001, a nonresident working 12 or fewer days in a municipality is not subject to its municipal income tax, except for professional athletes, entertainers, or their promoters. Also, beginning in 2003, a municipality that taxes pass-through entities is required to grant resident taxpayers a credit for taxes paid by a pass-through entity to another municipality if the pass-through entity does not conduct business in the municipality where the taxpayer resides.
2000	General Assembly prohibits new joint municipal/school district taxes.
2004	Certain single member limited liability companies are permitted to elect to be separate taxpayers from their single members. Also, businesses are required to add-back tax exempt stock options in the apportionment of their net profits.
2007	House Bill 24 permits municipalities to allow an income tax deduction to self-employed taxpayers for amounts paid for medical care insurance for themselves, their spouses, and dependents.

Comparisons with Other States

(As of October, 2010)

Florida, Illinois, Massachusetts, Texas, and **West Virginia** do not allow local governments to impose income taxes. Similar taxes in other states are described below.

California

According to the California revenue and taxation code, no city, county, or municipality may levy a tax based on income.

In lieu of an income tax, the city of San Francisco imposes a 1.5 percent tax on employers' payroll expenses. Small businesses whose tax liability does not exceed $2,500 are exempt. Certain exclusions are available for biotechnology companies and companies engaged in clean energy technology.

Indiana

A county may levy either a "county adjusted gross income tax" or a "county option income tax." Counties are also permitted to levy a "county economic development income tax." Overall, the total of a county's economic development tax and the adjusted gross income tax cannot exceed 3.75 percent. The economic development tax combined with the county option income tax cannot exceed 3.5 percent.

Kentucky

Cities, counties, transit districts, and school districts may levy an occupational business license tax on the net profits of businesses located in the district and the salaries and wages of employees earned in the jurisdiction. Rates can vary between the two types of occupational license taxes. The rates range from 0.25 percent to 2.5 percent of taxable earnings.

Michigan

Cities may impose a tax up to the rate of 2 percent on residents and 1 percent on nonresidents. Detroit may impose rates of up to

2.5 percent for residents and 1.25 percent for nonresidents. The rate for nonresidents cannot exceed one-half of the rate for residents.

New Jersey

Newark imposes a payroll tax at the rate of 1 percent on all employers having a payroll of more than $2,500 per calendar quarter.

New York

New York City: A tax is imposed on residents. Using the same filing statuses as under the state income tax, the starting point is state taxable income, with basic tax rates currently ranging from 2.55 percent to 3.4 percent. Like the state tax, an add-on minimum tax applies to tax preferences subject to the state minimum tax, at a rate of 2.85 percent.

Yonkers: The city imposes a personal income tax on its residents and an earnings tax on its nonresidents with wage or self-employment earnings from working in Yonkers. The resident earnings tax equals 10 percent of state tax liability after nonrefundable credits. The nonresident earnings tax equals 0.5 percent of wages and self-employment earnings.

Ohio

Municipalities may generally impose tax on wages, salaries, and other compensation earned by residents and by nonresidents who work in the municipality. The tax also applies to the net profits of business attributable to activities in the municipality, and to net profits from rental activities. The rate is determined locally, but the maximum rate without voter approval is 1 percent.

Pennsylvania

Municipalities may impose an earned income tax on wages and net profits. The tax may be imposed on either residents only or both residents and nonresidents.

Most municipalities have a 1 percent cap. Home rule municipalities (such as Philadelphia, Pittsburgh, and Scranton) are not subject to the cap. If the local school district also imposes an earned income tax, the tax revenue must be shared between the school district and the municipality.

Pittsburgh: The city imposes an earned income and net profits tax at the rate of 1 percent on: (a) salaries, wages, commissions, and other compensation earned by residents, or by nonresidents for services rendered or work done in Pittsburgh; and (b) the net profits of residents or nonresidents from businesses, professions, or other activities conducted in Pittsburgh. Additionally, the city levies a 0.55 percent tax on payroll amounts generated as a result of employers conducting business in the city.

Philadelphia: The city imposes an earned income tax on salaries, wages, commissions, and net profits. The resident tax rate is 3.93 percent. The nonresident tax rate is 3.5 percent.

Municipal Income Tax for Electric Light Companies and Telephone Companies

Taxpayer

Taxpayers include electric light companies – meaning electric companies and certain marketers and brokers of electricity – as well as local exchange telephone companies.

Tax Base

The starting point for determining Ohio municipal income tax is federal taxable income subject to certain adjustments.

A taxpayer's adjusted federal taxable income is first multiplied by its Ohio apportionment ratio to determine Ohio income. Then, for each municipality which has enacted a municipal income tax and in which the taxpayer is subject to the tax, Ohio income is multiplied by the taxpayer's municipal apportionment ratio for that municipality to determine income subject to the municipal income tax in that municipality.

Rates

Electric light companies and telephone companies pay tax for each municipality in which they have taxable nexus at the tax rate in effect for that municipality on the first day of January of the taxable year.

Revenue

(In Millions)

Fiscal Year	To Municipalities	Admin. Fund	Total
2007	$36.1	$0.5	$36.6
2008	45.7	0.7	46.4
2009	27.9	0.4	28.3
2010	19.0	0.3	19.3
2011	23.9	0.3	24.2

Disposition of Revenue

The Department of Taxation is responsible for the collection of tax and the distribution of funds to the individual municipalities, less an administrative fee.

Payment Dates

Quarterly estimated tax payments are due on the 15th day of April, June, September and December. Annual returns are due April 15 unless an extension is granted.

Special Provisions/Credits

Overpayments shown on the original report are credited to the next year tax's liability. Overpayments are refunded only if the Tax Commissioner finds that the overpayment is likely to exceed the amount of estimated taxes payable by the taxpayer to that municipality during the ensuing 12 months. The Tax Commissioner will notify the municipality, and the municipality will issue the refund of the excess, including the administrative fee, to the taxpayer within 90 days after receiving such a notice.

Sections of Ohio Revised Code

Chapter 5745.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

2000	House Bill 483 creates a uniform municipal income tax for electric light companies in Chapter 5745 effective Jan. 1, 2002. Later that year, Senate Bill 287 clarifies uniform procedures for computing and apportioning municipal taxable income.
2003	House Bill 95 places local exchange telephone companies in the Chapter 5745 municipal income tax for taxable years beginning on or after Jan. 1, 2004.
2007	Ohio Revised Code section 5745.13 is amended to clarify that the Department of Taxation is required to notify a municipality of the department's adjustment to a particular taxpayer's tax for that municipality only if the adjustment increases or decreases the taxpayer's tax **for that municipality** for the taxable year by more than $500.

Comparisons with Other States

(As of January, 2008)

None of the comparison states has a similar municipal income tax for electric light companies and telephone companies.

Property Tax – Public Utility Tangible

Taxpayer

Public utilities that are subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers.

The tax on tangible personal property was also phased out for telephone companies and inter-exchange telecommunications companies, which were classified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies was 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

For details on both the general business phase-out and the phase-out for telephone companies and inter-exchange telecommunications companies, see the **Property Tax – Tangible Personal Property** chapter.

Tax Base

The tax is levied on tangible personal property used in business in Ohio by a public utility taxpayer in providing a public utility service.

For most public utility personal property, the default method of establishing true value of public utility tangible personal property is cost (as listed on the public utility's books) less composite annual allowances prescribed by the Tax Commissioner. The allowances resemble depreciation tables that decrease to a minimum utility value.

Most public utility personal property is listed for tax purposes at 25 percent of true value. Exceptions include:

- all personal property of pipelines, water works, and heating companies, which is listed for tax purposes at 88 percent of true value.
- electric company personal property. Electric transmission and distribution personal property is assessed at 85 percent of true value, electric production personal property is assessed at 24 percent of true value, and all other electric property is assessed at 25 percent of true value.
- rural electric company property. Rural electric transmission and distribution property is assessed at 50 percent of true value and all other rural electric property is assessed at 25 percent of true value.

Apportionment of Tax Base:

In most cases, public utilities are valued as statewide units and the values are distributed to the taxing districts in which utilities operate. Personal property values are apportioned among the taxing districts based on a specific apportionment base – generally the taxable cost of property located in a taxing district as a proportion of such property located in the state.

Electric production equipment is apportioned 100 percent in the taxing district where it is located.

Rates

Property tax rates vary with taxing jurisdictions. The total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located. These include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

The 2009 average statewide gross tax rate on public utility personal property was 77.23 mills, and the 2008 gross rate was 76.44 mills. The gross tax rate is the rate that applies to tangible personal property. For real property, the application of "tax reduction factors" results in a lower "effective" tax rate.

Major Exemptions

The tax does not apply to:

- The property of municipally-owned utilities.
- Certified air, water, and noise pollution control equipment.
- Licensed motor vehicles.
- Tangible personal property under construction.

Also, qualified electric generating property may qualify for a property tax reduction if located in an enterprise zone.

Revenue

(In Millions)

Calendar Year	Total
2006	$745.8
2007	621.2
2008	645.2
2009	676.6
2010	747.2

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts and special districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately 70 percent of the public utility tangible personal property tax revenue.

Payment Dates

The standard payment dates are:

- Dec. 31, when at least one-half of total tax liability is due.
- June 20, when the balance of tax liability is due.

Extensions are automatically granted to counties for 30 days in the case of certain delays affecting property tax administration. The Tax Commissioner may grant further extensions upon application by a county auditor and county treasurer. An approved application extends the due date for the tax and provides the county treasurer an extension of time to collect the taxes.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, 5713, 5715, 5717, 5719, 5727, and 6111.

Responsibility for Administration

Tax Commissioner assesses personal property of all public utilities and inter-exchange telecommunications companies. The tax is collected by county treasurers and reported by county auditors.

History of Major Changes

1910	The newly-created Tax Commission of Ohio is charged with the assessment of public utility property.
1939	Responsibility for assessing public utility property shifts to the Ohio Department of Taxation, which replaces the state Tax Commission.
1941	The assessment level for personal property of rural electric companies is reduced from 100 percent to 50 percent of true value. All other public utility property continues to be assessed at 100 percent.
1963	Certified air pollution control facilities are exempted.
1965	Certified water pollution control facilities are exempted.
1973	Certified noise pollution control facilities are exempted.
1979	Personal property of railroads begins to be assessed annually at the same percentage of true value as the tangible personal property of general businesses, which at the time was 42 percent of true value.
1985	General Assembly changes apportionment of electric company production plant equipment so that 70 percent is apportioned to the taxing district in which the property is physically located. The remaining 30 percent is apportioned to each taxing district according to the distribution base, meaning the percentage of the total cost of transmission and distribution property located in each district. Previously, production plant equipment had been apportioned entirely according to the value of overhead and underground lines.

1989 General Assembly enacts legislation that:

- Bases the true value of most public utility personal property on the cost as capitalized on the utility's books less composite annual allowances as prescribed by the Tax Commissioner.
- Reduces the taxable value of most public utilities from 100 percent to 88 percent of true value.
- Defines the true value of electric company production equipment as 50 percent of original cost, while maintaining the 100 percent assessment rate on such property.
- Revises the apportionment of production equipment at an electric utility plant with a cost exceeding $1 billion so that all of the cost in excess of $420 million is apportioned according to the distribution base. Previously, 70 percent of the amount above $420 million would have been apportioned to the taxing district in which the property is physically located.

1995 All inter-exchange telecommunications company personal property begins to be assessed at 25 percent of true value. Local telephone company personal property is added to the tax rolls during tax year 1995 and is thereafter assessed at 25 percent of true value.

1999 Beginning Jan. 1, 2001, all electric and rural electric utility personal property – except for transmission and distribution property – is assessed at 25 percent of true value. Also, electric production equipment is sitused 100 percent in the taxing district in which property is located.

2000 Beginning Jan. 1, 2001, the assessment percentage of natural gas personal property is lowered from 88 percent to 25 percent of true value.

2003 Beginning Jan. 1, 2005, the assessment rate of telephone personal property acquired before 1994 is phased down from 88 percent to 25 percent of true value over a three-year period.

2005 House Bill 66 includes the following changes effective Jan. 1, 2006:

- the assessment percentage on electric transmission and distribution personal property is lowered from 88 percent to 85 percent and the assessment percentage on electric production personal property is lowered from 25 to 24 percent.
- the tax on railroad personal property begins a three-year phase-out according to the same schedule that applies to general business tangible personal property: listing percentages of 18.75 for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent thereafter.
- railroad real property in a single county and not used in operations is valued and assessed by the county auditor.
- the taxable personal property of an electric company includes the cost of patterns, jigs, dies and drawings.

Also:

- Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with the personal property for these companies to be phased out according to a four-year schedule.
- Beginning Jan. 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing this property.
- Beginning Jan. 1, 2009, persons that generate electricity and supply some of it to others, but whose primary business is not supplying electricity, will be required to report their electricity-related property as an electric company does.

Comparisons with Other States

(As of December, 2008)

Public utility personal property is exempt from taxation in **Illinois** and **Pennsylvania.** Other states tax public utility personal property as follows:

California

Assessor: State Board of Equalization.

Assessment: Fair market value, with special provisions for private railroad cars.

Tax Rate: Aggregate of all local levies.

Florida

Assessor: The state Department of Revenue assesses railroad property; county officials assess all other personal property.

Assessment: Full cash value.

Tax Rate: Aggregate of all local levies.

Indiana

Assessor: The Department of Local Government Finance assesses distributable property. Local officials assess fixed property.

Assessment: True tax value.

Tax Rate: Aggregate of all state and local levies (limitations imposed) for all public utility property, except railroad property which is taxed at a rate equal to the average levy in the state.

Kentucky

Assessor: Department of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state and local levies.

Massachusetts

Assessor: Division of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state, county, and local levies (limitations imposed).

Michigan

Assessor: State Board of Assessors.

Assessment: 50 percent of true cash value.

Tax Rate: Average rate of taxation upon all taxable property.

New Jersey

Assessor: Local officials assess telecommunications personal property, the only public utility personal property subject to tax in New Jersey.

Assessment: True value.

Tax Rate: Aggregate of all local levies.

New York

Assessor: The state Board of Real Property Services values utility property in the public right of way; local officials value all other property. (In New York, the tangible personal property of public utilities on, under, or above both privately and publicly owned rights of way is taxed as real property.)

Assessment: Determined locally.

Tax Rate: Aggregate of all local levies; limitations are imposed.

Ohio

(As described in the Taxpayer, Tax Base **and** Rates **sections in this chapter.)**

Texas

Assessor: County appraisal districts.

Assessment: Utility is assessed at 100 percent of recognized unitary valuation.

Tax Rate: Aggregate of all local levies.

West Virginia

Assessor: State Board of Public Works.

Assessment: All property is assessed at 60 percent of its fair market value.

Tax Rate: Aggregate of state and local levies (limitations imposed).

Property Tax – Real

Taxpayer

The tax is paid by all real property owners unless specifically exempt.

Tax Base

The tax is based on the assessed value of land and buildings. Assessed value is 35 percent of market value, except for certain agricultural land. County auditors must reappraise all real estate once every six years. Updates of these values are required in the third year following reappraisal.

Rates

Real property tax rates vary with taxing jurisdictions. The total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located. These include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

The 2009 average statewide gross tax rate on real property was 88.33 mills. Application of "tax reduction factors" resulted in an average statewide effective rate of 59.30 mills on real property. In 2008, the average gross rate was 87.66 mills, and the average effective rate was 57.31 mills.

The Ohio constitution prohibits governmental units from levying property taxes that, in total, exceed 1 percent of true value unless approved by the voters. Statutory law further limits property taxes to 1 percent of taxable value. This provision is known as the 10-mill limitation.

Major Exemptions

Government or privately-owned real property may qualify for a tax exemption based on how the property is used or owned. Examples of tax-exempt property include schools, charities, churches and municipal corporations.

Also:

- Land devoted exclusively to commercial agricultural use may be valued according to current use instead of "highest and best" use.
- County, township, and municipal governments may grant tax abatements on qualified real property for a designated time period for the purposes of economic and community development.

Revenue

(In Millions)

In the table below, "Taxes Charged Before Relief" represents the amount of real property taxes[1] charged after the application of tax reduction factors but before the savings realized through certain state-funded property tax relief efforts. The value of the 10 percent and 2.5 percent rollbacks appear in the "Percentage Rollbacks" column. These rollbacks, as well as the homestead exemption, are more fully described in the **Special Provisions/Credits** section, below.

Tax Year	Taxes Charged Before Relief	Percentage Rollbacks	Homstead Exemption	Net Taxes Charged
2006	$12,956.8	$1,136.7	$70.1	$11,750.0
2007	13,128.2	1,184.5	317.1	11,626.6
2008	13,819.4	1,244.9	341.9	12,232.6
2009	14,124.4	1,268.5	361.8	12,494.0
2010[2]	14,494.6	1,268.6	366.8	12,859.1

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts, joint vocational districts, and special service districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately two-thirds of total real property tax revenue.

1 Including public utility real property.
2 The figures for the 2010 tax year are estimates.

Payment Dates

The standard due dates are:

- Dec. 31, when at least one half of the tax is due.
- June 20, when the balance is due.

Each county is permitted to extend the due dates to Jan. 31 and to July 20, respectively, in the case of certain delays affecting property tax administration. Upon application by a county treasurer alone or by a county auditor and treasurer together, the Tax Commissioner may grant further extensions of time in which the county must collect the tax.

Special Provisions/Credits

State law provides for several property tax credits – meaning direct reductions of tax liability rather than reductions of value. These credits include two rollbacks, the homestead exemption, and the tax reduction factors commonly referred to as "House Bill 920" credits.

Property tax rollbacks:

Since 1971, a 10 percent reduction, or "rollback," has applied to property tax bills. In 2005, as part of a larger series of tax reforms, the General Assembly limited this 10 percent reduction to parcels not intended primarily for use in a business activity. In general, the 10 percent reduction applies to farmland and residential property containing single-family, two-family, or three-family dwellings.

In addition, since 1979, a 2½ percent rollback has applied to homesteads – meaning, an owner-occupied dwelling that is the taxpayer's domicile, and up to one acre of land. The state reimburses local governments for the cost of both of these rollbacks.

Homestead exemption:

The homestead exemption is available to homesteads of qualified homeowners who are either: at least 65 years of age, permanently and totally disabled, or at least 59 years of age and the surviving spouse of a deceased taxpayer who had previously received the exemption.

Before the 2007 tax year, this tax relief was limited to approximately 222,000 homeowners who earned $26,200 or less, with benefits tiered according to income. In 2007, House Bill 119 eliminated these income restrictions and simplified the benefit so that it shields $25,000 of a homestead's true value from all property taxation. These changes added an estimated 566,000 additional homeowners to the program. The state reimburses local governments for the tax losses caused by this credit.

Tax reduction factors:

Each year, the Department of Taxation calculates effective tax rates based on a system of tax reduction factors outlined in Ohio Revised Code section 319.301 and enacted by House Bill 920 in 1976. The computation of these percentage reductions is complex, but the basic effect is to eliminate changes in revenue from certain voted levies that would otherwise occur when existing real property in a taxing unit is reappraised or updated.

Separate percentage reductions are applied to two classes of real property: Class I, consisting of residential and agricultural property, and Class II, consisting of commercial, industrial, mineral, and public utility real property. The result is lower effective tax rates for each class of property. These reductions do not apply to any tangible personal property.

Reduction factors remain in effect until an increase or decrease in value occurs because of the revaluation of existing property.

Other special provisions:

- If a school district has more than 20 gross mills worth of voted and unvoted levies for general current expenses, its effective millage after the application of reduction factors cannot fall below 20 mills (sometimes known as the "floor.") If the initial calculation of the factors would drop the effective current expense rate below 20 mills, the factors must be recalculated to arrive at 20 mills. Joint vocational schools have the same provision with a floor of 2 mills.
- Forest land devoted exclusively to forestry or timber growing may be taxed at 50 percent of the local rate.

Sections of Ohio Revised Code

Chapters of the Ohio Revised Code that pertain to real property taxation include chapters 319, 321, 323, 5701, 5705, 5709, 5713, 5715 and 5721.

Responsibility for Administration

Primarily county auditors, county treasurers, county boards of revision, and the Tax Commissioner.

History of Major Changes

1803	Ohio gains statehood. General Assembly continues territorial practice of taxing land (but not improvements) based on whether the fertility of the land is "first rate," "second rate" or "third rate."
1825	General Assembly abolishes land classification system, replacing it with an *ad valorem* tax on land, improvements and select forms of personal property.
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 all real and personal property be taxed according to uniform rule, except for exemptions specifically permitted by the constitution, such as for churches and schools.
1902	Legislature repeals state property tax levies for the general fund. State levies persist for other purposes, such as public universities, common schools and highways.
1910	General Assembly creates the Tax Commission of Ohio to supervise local property tax administration.
1911	General Assembly enacts "Smith 1 percent law," which sets an overall 10 mill limit on unvoted levies. Further levies are permitted up to a 15 mill limit, as long as they receive approval through a vote of the people.
1925	General Assembly enacts first statutory requirement for a six-year reappraisal cycle.
1927	General Assembly repeals Smith Law and replaces it with a 15 mill cap on unvoted levies. Additional millage is permitted above this mark through a vote of the people.
1929	Ohio voters approve a constitutional amendment that, starting in 1931, generally limits levies enacted without voter approval to 1.5 percent of true value. The amendment also limits the principle of taxation by uniform rule to real property, rather than all property.
1932	For the first time in more than a century, no state tax is levied on real property.
1933	Voters approve a constitutional amendment that tightens the cap on non-voted levies to 1 percent of true value.
1934	Through statute, the General Assembly reduces the aggregate tax limit on non-voted levies from 15 mills to 10 mills.
1939	The Tax Commission of Ohio is replaced by the Department of Taxation, the Board of Tax Appeals (which begins supervising real property tax administration), and a Tax Commissioner (who assumes functions with respect to taxation of public utility property).
1965	For the first time, the General Assembly explicitly permits real property to be uniformly assessed at less than true value. The legislature requires that taxable values be no more than 50 percent of true value, with the actual uniform percentage to be established by rule of the Board of Tax Appeals.
1968	A state tax applies to real property for the last time – 0.2 mills to retire bonds issued to provide bonus compensation to veterans of the Korean conflict.
1970	Ohio voters approve constitutional amendment permitting a homestead exemption for low- and middle-income senior citizens.
1971	General Assembly enacts 10 percent property tax rollback. Homestead exemption begins.
1972	Board of Tax Appeals requires taxable values to be set at 35 percent of true value as counties complete their sexennial reappraisals, with annual adjustments to maintain the 35 percent level.
1973	Voters approve a constitutional amendment permitting the valuation of agricultural property based upon current use.
1974	Voters approve a constitutional amendment that permits the extension of the homestead exemption to permanently and totally disabled homeowners.

1976	General Assembly enacts House Bill 920, which calls for the calculation of effective tax rates based on reduction factors. These factors are intended to eliminate from certain voted levies the changes in revenue that might occur when values grow on existing real property as part of a reappraisal or update. H.B. 920 also creates the Ohio Department of Tax Equalization to supervise real property tax administration and requires real property valuations to be updated every three years, instead of annually.
1977	Senate Bill 221 establishes a 20 mill floor for school districts, after the application of "House Bill 920" reduction factors.
1979	Legislature enacts a 2½ percent tax rollback for owner-occupied residential property.
1980	Voters approve a constitutional amendment that calls for separate reduction factors to be applied to two classes of real property: residential and agricultural property (Class I) and all other real property (Class II).
1983	Department of Tax Equalization is eliminated; all of its functions are transferred to the Department of Taxation.
1990	Voters approve a constitutional amendment that permits the homestead exemption to be extended to the surviving spouses of homestead exemption recipients.
2005	As part of a larger series of tax reforms, House Bill 66 narrows the 10 percent rollback to real property not intended primarily for use in a business activity.
2007	House Bill 119 expands the homestead exemption to all senior citizens, qualifying disabled homeowners, and surviving spouses of previously-qualified homeowners, regardless of income. Tiered benefits are scrapped in favor of allowing participants to shield $25,000 of the true value of their homesteads from taxation.

Comparisons with Other States

(as of October, 2010)

The complexity of real property tax laws prevents a simple rate comparison among states. However, the table following highlights the property tax liability on the median residential home value in the largest city in each of

the 13 selected states after applicable exemptions or tax reductions.

Data are sorted by ascending property tax rates.

City / State	Median Home Value in Largest City[1]	2009 Property Tax on Median Home less Tax Exemption or Tax Reduction[2]	Effective Tax Rate per $100[3] per 2009 study
Chicago, Ill.	$261,600	$1,360	$0.52
Charleston, W.Va.[4]	101,500	873	0.86
New York, N.Y.	517,900	3,211	0.62
Boston, Mass.	375,700	3,982	1.06
Los Angeles, Calif.	465,700	5,123	1.10
Louisville, Ky.[5]	138,500	1,745	1.26
Newark, N.J.	288,500	4,703	1.63
Jacksonville, Fla.	166,500	2,880	1.73
Columbus, Ohio	**136,900**	**2,396**	**1.75**
Detroit, Mich.	67,000	1,414	2.11
Houston, Texas	128,000	3,226	2.52
Philadelphia, Pa.	150,000	3,960	2.64
Indianapolis, Ind.	120,400	3,311	2.75

1 Source: U.S. Census Bureau, American Factfinder 2009 American Community Survey, Housing Characteristics.
2 Source: calculations by Ohio Department of Taxation.
3 Source: calculations by Ohio Department of Taxation based on Table 4 of Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison (2009).
4 Median home value for metropolitan statistical area.
5 Median home value for metropolitan statistical area.

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 lengthier 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 is 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, 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.

Real Property Conveyance Fee

Taxpayer

The real property conveyance fee is paid by persons who make sales of real estate or used manufactured homes.

Tax Base

The base of the tax is the value of real estate sold or transferred from one person to another.

Rates

The conveyance fee consists of two parts. A statewide mandatory tax of 1 mill ($1 per $1,000 dollars of the value of property sold or transferred) applies in all 88 of Ohio's counties. In addition, counties may also impose a permissive real property transfer tax of up to 3 additional mills. As of 2009, the most recent year for which data is available, 87 of 88 counties levied this additional tax at rates ranging from 1 mill to 3 mills. (The exception was Ross County.)

Major Exemptions

The tax does not apply:

- to sales or transfers to or from the U.S. government or its agencies, or to or from the state of Ohio or any of its political subdivisions.
- to gifts from one spouse to another, or to children and their spouses.
- to surviving spouses or to a survivorship tenant.
- to sales or transfers to or from a nonprofit agency that is exempt from federal income taxation, when the transfer is without consideration and furthers the agency's charitable or public purpose.
- when property is sold to provide or release security for a debt, or for delinquent taxes, or pursuant to a court order.
- when a corporation transfers property to a stockholder in exchange for their shares during a corporate reorganization or dissolution.
- when property is transferred by lease, unless the lease is for a term of years renewable forever.
- to a grantee other than a dealer, solely for the purpose of, and as a step in, the prompt sale to others.
- to sales or transfers to or from a person when no money or other valuable and tangible consideration readily convertible into money is paid or is to be paid for the realty, and the transaction is not a gift.
- to an easement or right-of-way when the value of the interest conveyed is $1,000 or less.
- to a trustee of a trust, when the grantor of the trust has reserved an unlimited power to revoke the trust.
- to the grantor of a trust by a trustee when the transfer is made pursuant to the grantor's power to revoke the trust or to withdraw trust assets.
- to the beneficiaries of a trust, if the fee was paid on the transfer from the grantor to the trustee or if the transfer is made pursuant to trust provisions that became irrevocable at the death of the grantor.

Revenue

(In Millions)

Tax Year	Total Taxes
2005	$152.1
2006	152.7
2007	130.8
2008	99.0
2009	77.7

Disposition of Revenue

All revenue from the tax is deposited in the general fund of the county where the property is sold or transferred.

Payment Dates

The fee is paid at the time of the transfer, generally as part of the closing process.

Special Provisions

- County commissioners may prescribe a lower permissive rate than generally levied in the county for conveyances of property receiving the homestead exemption.
- The tax also applies to transfers of used manufactured homes.
- Persons who purchase residential rental property in counties with populations over 200,000 must register their contact and property information with the county auditor within 60 days of the property transfer. Auditors in these counties must include a statement to this effect when the property is transferred and with the real property tax bill.

Sections of Ohio Revised Code

Sections 319.202, 319.54, 319.99, 322.01–322.07 and 322.99.

Responsibility for Administration

County Auditor.

History of Major Changes

1967	The General Assembly enacts a mandatory real property transfer fee of 1 mill and permits county commissioners to impose additional taxes of up to 3 mills on conveyances on or after Jan. 1,1968. The revenue from both components of the tax are distributed to the county general fund.
1969	The General Assembly provides for the repeal of a permissive transfer tax adopted as an emergency by a vote of the electorate.
1999	Both the mandatory and permissive taxes are applied to the sale of used manufactured and mobile homes occurring on or after Jan. 1, 2000. Also, county commissioners are permitted to prescribe a lower permissive rate than generally levied in the county for conveyances of property receiving the homestead exemption.
2007	Owners of residential rental property in counties with populations greater than 200,000 are required to register their contact and property information with the county auditor.

Comparisons with Other States

(As of September, 2010)

All of the comparison states except **Indiana** and **Texas** levy a similar tax on real estate transfers. This table shows state real estate transfer taxes and the highest permitted local real estate transfer tax for each state. All rates are expressed in mills. Each mill represents $1 per $1,000 of value.

State	Minimum Tax (imposed statewide)	Maximum Local Option Tax Rate
California	---	1.1 mills
Florida	7 mills[1]	---
Illinois	1 mill	0.5 mill[2]
Indiana	None	---
Kentucky	1 mill	---
Massachusetts	4.56 mills[3]	---
Michigan	7.5 mills	1.1–1.5 mills
New Jersey	4–12.1 mills[4]	1 mill
New York	4 mills [5 6]	---
Ohio	**1 mill**	**3 mills**
Pennsylvania	10 mills	4 mills
Texas	---	---
West Virginia	2.2 mills	2.2 mills

1 The Miami-Dade County rate is 6 mills.
2 The Chicago rate is 10.5 mills.
3 The Barnstable County rate is 6.12 mills.
4 Rates of 0.5 – 3.4 mills apply to senior citizens, blind or disabled people and in certain other situations. Additional fees apply to transactions valued over $1 million.
5 An additional 1 percent (10 mill) tax applies to transfers of more than $1 million.
6 The maximum local rate in New York City is 26.25 mills.

Resort Area Gross Receipts Tax

Taxpayer

The tax is paid by persons making general sales or providing intrastate transportation within a designated resort area.

Tax Base

The tax is a business privilege tax measured by gross receipts derived from sales made within the boundaries of a designated resort area as well as intrastate transportation to and from such an area. Gross receipts included in the tax base include those derived from:

- Wholesale and retail sales, including food consumed on the premises.
- Rentals and leases of watercraft, golf carts, bicycles, videos, and fishing tackle.
- Hotel and motel room rentals.
- Sales of repair and installation labor.
- Warranties, maintenance or service contracts.
- Sales of personal and professional services.

Rates

The tax may be levied at rates of 0.5 percent, 1 percent, or 1.5 percent. Currently, only three jurisdictions impose the tax: the village of Kelley's Island, the village of Put-in-Bay, and the township of Put-in-Bay. Each jurisdiction has set a rate of 1.5 percent.

Major Exemptions

Gross receipts from the following sources are exempt from the calculation of the tax:

- Food sold for off-premises consumption.
- Installation of improvements to residential or business real property and repair of those installed items.
- Attorney, legal or medical services.
- Charter fishing trips.
- Dockage fees.
- Campsite fees.
- Waste disposal fees.

Revenue

(In Actual Dollars)

Fiscal Year	Total Taxes
2006	$672,227
2007	773,161
2008	747,299
2009	801,280
2010	805,536
2011	826,990

Disposition of Revenue

Receipts from this tax are designated for the general revenue of the township or municipality.

Payment Dates

There are two semi-annual reporting periods for the tax:

- Returns due July 31 document the period from Jan. 1 through June 30.
- Returns due Jan. 31 document the period from July 1 through Dec. 31.

Special Provisions

The resort area gross receipts tax is not a sales tax or a tax on transactions. It may not be separately listed on an invoice or receipt to customers and it may not be collected directly from customers.

Sections of Ohio Revised Code

Sections 5739.101 – 5739.104.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1993	The General Assembly enacts House Bill 327, authorizing municipalities or townships that meet certain requirements to declare themselves a "resort area" and levy a resort area gross receipts tax. Shortly thereafter, the village of Kelley's Island enacts tax.
1996	The village of Put-in-Bay and township of Put-in-Bay both enact the tax.

Comparisons with Other States

(As of January, 2009)

No comparison states impose or allow a broad-based consumption tax in defined resort or tourist areas.

Sales and Use Tax – County and Transit Authority

Taxpayer

The tax is remitted by holders of vendor's licenses, direct-payment permits, and consumer use tax accounts as well as registered out-of-state sellers and clerks of court.

Tax Base

The tax applies to sales and rental of personal property and selected services.

Rates

As of July 1, 2010, all 88 Ohio counties and eight transit authorities had levied at least one of three different types of local sales taxes in the following increments:

- County sales tax: 0.25 percent, 0.5 percent, 0.75 percent or 1 percent.
- Additional county sales tax (for specified purposes, including the county's general fund): 0.25 percent or 0.5 percent.
- Transit authority sales tax: Increments of 0.25 percent, up to 1.5 percent.

Major Exemptions

Since local sales and use taxes "piggyback" on the state sales and use tax, exemptions are identical. For more information, see the **Sales and Use Tax** chapter in the **State Taxes** section of this book.

Revenue

(In Millions)

Fiscal Year	County	Transit Authority	Adm. Fund	Total
2007	$1,375.1	$289.9	$16.8	$1,681.8
2008	1,410.8	305.7	17.3	1,733.8
2009	1,362.6	340.1	17.2	1,719.9
2010	1,350.7	334.8	17.0	1,702.6
2011	1,410.7	359.8	17.9	1,788.4

The above figures, from the Office of Budget and Management, represent actual distributions of the county and transit authority sales and use tax during the fiscal years shown.

Disposition of Revenue

Disposition of revenue depends on the type of sales tax levy:

- County sales tax revenue is distributed to the county general revenue fund and for administrative expenses.
- Additional county sales tax revenue is allocated to one or more of the following purposes: the county general fund; the transit authority; county permanent improvements; convention facility notes or bonds; implementation of a 9-1-1 system in the county; operation and maintenance of a detention facility; or conservation easements.
- Transit authority sales tax revenue is dedicated to all transit purposes of the transit authority and administrative expenses.

Payment Dates

(See the **Sales and Use Tax** chapter in the **State Taxes** section.)

Special Provisions/Credits

For all local levies, 1 percent is credited to the Local Sales Tax Administrative Special Fund for use by the Tax Commissioner in administration.

Sections of Ohio Revised Code

County sales tax:

Sections 5739.021, 5739.022, 5739.025, 5739.21, 5739.211, 5741.021, 5741.03, and 5741.031.

Additional county sales tax:

Sections 133.312, 307.282, 307.283, 351, 5739.025, 5739.026, and 5741.023.

Transit authority sales tax:

Sections 306.321, 306.70, 306.71, 5739.01, 5739.023, 5739.025, 5739.21, 5739.211, 5741.01, 5741.022, 5741.03, and 5741.031.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1967	General Assembly grants counties the authority to levy a county sales tax at a 0.5 percent rate.
1969	Lake County becomes the first county to levy a county sales tax, effective July 1.
1974	General Assembly authorizes transit authorities to levy a sales tax, subject to voter approval, at the following rates: 0.5 percent, 1 percent, or 1.5 percent.
1975	The Greater Cleveland Regional Transit Authority becomes the first to adopt a sales tax. A 1 percent rate takes effect Oct. 1.
1982	General Assembly permits counties to levy the county sales tax at rates of either 0.5 percent or 1 percent.
1986	Legislature permits counties to levy an additional county sales tax at 0.5 percent for specified purposes, including the county general fund, subject to voter approval.
1987	General Assembly permits all local sales tax levies to be enacted in 0.25 percent increments.
1992	A county 9-1-1 system is added to the list of purposes for which a county may enact an additional county sales tax.
1999	Conservation easements are added to the list of purposes for which the additional county sales tax may be levied.

Comparisons with Other States

See the **Sales and Use Tax** chapter in the **State Taxes** section of this publication.