



2003

Ohio's Taxes

A Brief Summary of Major State and Local Taxes in Ohio



Ohio Department of
TAXATION

Bob Taft, Governor
William W. Wilkins, Tax Commissioner

GREETINGS FROM THE TAX COMMISSIONER



The Ohio Department of Taxation is pleased to provide you with the 2003 edition of **Ohio's Taxes – A Brief Summary of Major State and Local Taxes in Ohio.**

This publication provides the rates, revenues, rules, distributions, and other important provisions of all principal taxes in Ohio. It's a valuable and handy reference for anyone needing quick information on state and local taxes.

The past year brought many significant changes in the tax system. Among them, was a temporary, two-year one-cent increase of the sales tax and an expansion of the sales tax to a number of previously untaxed services. Also new was an increase in the corporate minimum tax as well as changes in sales tax law to align Ohio with the Streamlined Sales Tax Agreement, a national project aiming to raise additional revenue from out-of-state transactions.

Laws change, but the department's commitment to delivering quality customer service remains absolute. We will do our utmost to help those taxpayers who are striving to do the right thing, but we are equally committed to ensuring that all taxpayers comply with the tax laws and pay their fair share.

Our mission is to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law. Our motto is our commitment to CARE about the quality of service by performing it in a Courteous, Accurate, Responsive, and Equitable manner. I am confident that ODT will treat all taxpayers fairly while administering the tax system that delivers revenues necessary to provide the services needed by all citizens of this state.

We will work hard to serve the best interests of the citizens of Ohio. We hope you find this publication serves your needs for information about our tax system at both the state and local levels.

Sincerely,

A handwritten signature in dark ink that reads "William W. Wilkins". The signature is written in a cursive, flowing style.

William W. Wilkins
Tax Commissioner

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OHIO'S TAXES

Ohio's Taxes, A Brief Summary of Major State and Local Taxes in Ohio, provides a concise but comprehensive overview of each tax levied by the state and local governments.

This publication is divided into two major sections. The first reviews state taxes; the second section covers taxes levied at the local level.

For each tax, this summary shows the:

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

The 13 states selected for comparison are either neighboring states to Ohio or are considered to be large, economically important states.

The tax system of Ohio experienced major changes in 2003. This was primarily due to the implementation of House Bill 95, the 2004-2005 Biennium Budget Bill, that contained several changes affecting taxation.

Preceding passage of the bill and in response to an extended economic slowdown, Gov. Bob Taft, with ODT assistance, proposed a package of 80 tax reform initiatives. These reforms were meant to modernize Ohio's tax system and produce nearly \$2.3 billion in additional revenue over the biennium to address a projected revenue shortfall.

The Ohio General Assembly enacted more than 20 of the governor's proposals in late June, but chose to generate the majority of revenue needed to produce a balanced budget with a temporary, two-year increase in the state sales tax from 5.0 percent to 6.0 percent. The sales tax increase is expected to raise more than \$2.4 billion in new revenue during the 2004-2005 biennium.

OHIO'S TAXES

Some of the reform elements adopted include:

- Simplifying the municipal income tax system.
- Increasing the minimum corporate tax and eliminating some corporate tax avoidance opportunities.
- Shifting the remaining telecommunications services from the public utility tax to the sales, corporation franchise and municipal income taxes.
- Broadening the base of the sales tax by adding a number of previously untaxed services.
- Accelerating the phase-out of the inventory tax.
- Exempting businesses that claim less than \$10,000 in tangible personal property from filing this tax return, saving approximately 250,000 businesses the costs associated with the filing.
- Changing some definitions of food, beverages, and medical supplies to conform to the provisions of the multi-state Streamlined Sales Tax Agreement.

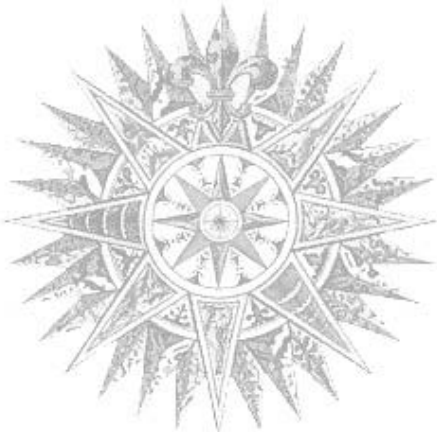
Other changes in taxes are highlighted in the appropriate sections.

Please address comments and questions about this booklet to:

Ohio Department of Taxation

Attn: Communications Office
30 E. Broad St., 22nd Floor
Columbus, Ohio 43216-0530
(614) 644-6896

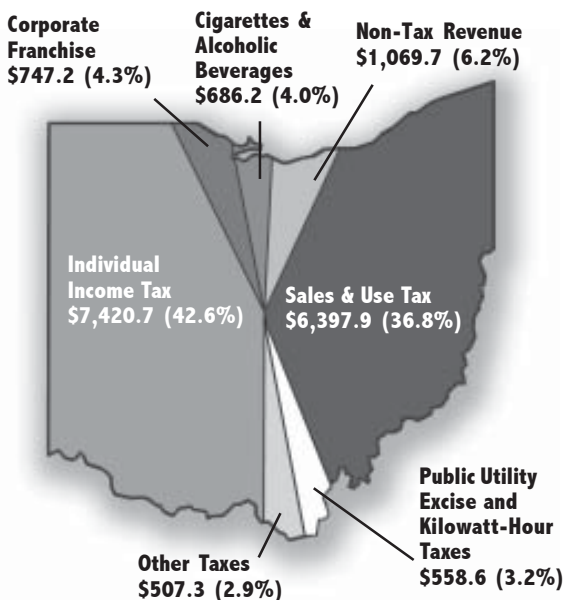
You can also access the ODT website at: tax.ohio.gov for more information.



GENERAL REVENUE FUND SOURCES

FISCAL YEAR 2003: \$17,387.6 MILLION

(EXCLUDING FEDERAL AID)



REVENUE SOURCES

FY 2003 COLLECTIONS

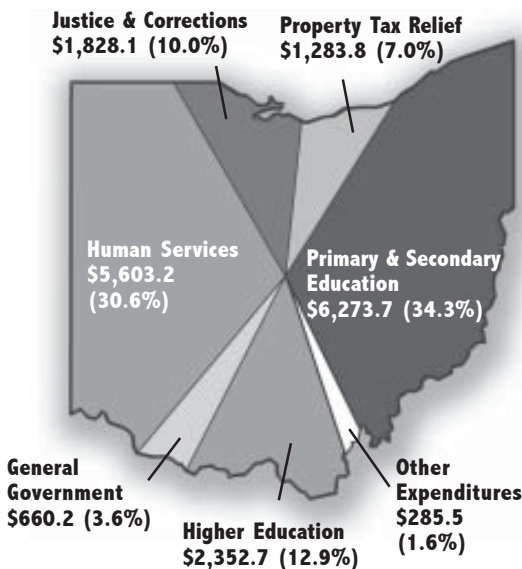
(In Millions Of Dollars)

Individual Income Tax	\$7,420.7	
Sales and Use Tax	6,397.9	
Corporation Franchise Tax	747.2	
Cigarette Tax	599.9	
Kilowatt-Hour Tax	339.9	
Public Utility Excise Tax	218.7	
Alcoholic Beverage Tax	<u>86.3</u>	
Total		\$15,810.6
Other Taxes:		
Foreign Insurance Tax	\$216.4	
Domestic Insurance Tax	160.1	
Estate Tax	100.8	
Dealers in Intangibles Tax	<u>30.0</u>	
Total		\$507.3
Non-Tax Revenue:		
Earnings on Investments	\$14.2	
Liquor Profits	115.0	
Miscellaneous	<u>940.5</u>	
Total		\$1,069.7
TOTAL		\$17,387.6

GENERAL REVENUE FUND EXPENDITURES

FISCAL YEAR 2003: \$18,287.2

(EXCLUDING FEDERAL AID)



EXPENDITURE CATEGORIES

FY 2003 EXPENDITURES (In Millions Of Dollars)

Primary & Secondary Education	\$6,273.7	
Higher Education	<u>2,352.7</u>	
Total		\$8,626.4
Human Services:		
Public Assistance	\$4,487.6	
Mental Health & Retardation	864.8	
Miscellaneous	<u>250.8</u>	
Total		\$5,603.2
General Government:		
Transportation	\$32.3	
Environment & Natural Resources	114.7	
Economic Development	170.0	
Miscellaneous	<u>343.2</u>	
Total		\$660.2
Property Tax Relief	1,283.8	
Justice and Corrections	1,828.1	
Other Expenditures	<u>285.5</u>	
Total		\$3,397.4
TOTAL		\$18,287.2

TAX BURDEN COMPARISONS AMONG THE STATES

Each year, the U.S. Census Bureau collects data on tax burdens in each of the states. Data for tax years 1999-2000 is the most recent available. The tax burden comparisons show the combined state and local aggregate taxes both on a per capita basis and as a percentage of income. States selected for comparison are either neighboring states to Ohio or are considered to be large, economically important states.

For state and local taxes on a per capita basis among all 50 states, Ohio ranked 20th. As a percentage of personal income among all 50 states, Ohio also ranked 20th. The table below shows the national ranking for each of the 13 comparison states commonly used in this publication, as well as the lowest and highest tax burden states of all 50 states.

STATE TAX BURDENS: 13 SELECTED COMPARISON STATES⁽¹⁾

<u>State</u>	Total Taxes		Total Taxes as a Percentage of Income	
	Per Capita⁽²⁾	Rank⁽³⁾	of Income⁽²⁾	Rank⁽³⁾
California	\$3,545	7	12.0%	10
Florida	2,624	35	10.0	44
Illinois	3,241	14	10.7	33
Indiana	2,691	30	10.6	39
Kentucky	2,517	39	11.2	22
Massachusetts	3,787	4	11.0	26
Michigan	3,167	16	11.4	18
New Jersey	3,903	3	11.3	19
New York	4,578	2	14.1	1
Ohio	3,016	20	11.3	20
Pennsylvania	2,979	21	10.7	34
Texas	2,505	40	9.7	46
West Virginia	2,413	42	11.6	16

HIGHEST AND LOWEST STATE TAX BURDENS⁽³⁾

Connecticut	\$4,595	1	-	-
Alabama	2,117	50	-	-
New York	-	-	14.1%	1
New Hampshire	-	-	8.8	50

Notes: (1) Data from the U.S. Census Bureau and the Federation of Tax Administrators. (2) "Total Taxes" does not include revenue from charges, user fees, or special assessments. (3) Comparison rankings shown are based on a tax burden analysis of all 50 states.

STATE TAXES



ALCOHOLIC BEVERAGE TAXES – STATE

TAXPAYER

Manufacturers, importers, wholesale distributors (beer, wine, and mixed beverages); Division of Liquor Control (liquor).

TAX BASE

Beer, wine, mixed beverages, and liquor.

RATES

Beer

Barrel (31 gallons)	\$5.58 per barrel
---------------------	-------------------

Containers (over 12 ounces) per six ounces	0.84 cent(s)
---	--------------

Containers (12 ounces or less) per ounce	0.14 cent(s)
--	--------------

Wine

Less than 14 percent alcohol by volume	32 cents per gallon
---	---------------------

14 percent to 21 percent alcohol by volume	1.00 per gallon
---	-----------------

Apple cider (alcohol content over 0.5 percent)	24 cents per gallon
---	---------------------

Vermouth	1.10 per gallon
----------	-----------------

Sparkling wine, champagne	1.50 per gallon
---------------------------	-----------------

Mixed beverages	1.20 per gallon
-----------------	-----------------

Liquor	3.38 per gallon
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MAJOR EXEMPTIONS

Sacramental wine.

Sales to the federal government.

Sales in interstate commerce.

Small breweries and wineries.

REVENUE (IN MILLIONS)

Fiscal	Wine & Mixed			
Year	Beer	Beverages	Liquor	Total
2000	\$46.9	\$9.0	\$28.5	\$84.4
2001	46.9	8.8	29.0	84.7
2002	47.6	8.9	29.3	85.8
2003	48.3	9.0	29.7	87.0

DISPOSITION OF REVENUE

General Revenue Fund.

Ohio Grape Industries Fund (see Ohio Revised Code section 4301.432) (five cents per gallon of wine, two cents of which is a temporary levy).

ALCOHOLIC BEVERAGE TAXES – STATE

PAYMENT DATES

Beer	Advance payment by 18th of current month; balance due 10th of following month.
Wine and mixed beverages	18th of each month for previous month.
Liquor gallonage	Weekly on or before Monday.

SPECIAL PROVISIONS/CREDITS

Beer taxpayers can receive a 3.0 percent discount on the amount of their estimated advance payment when filing and paying their return. Estimated advance payments must be made by the 18th of the month, and returns are due by the 10th of the following month.

Wine and mixed beverages taxpayers can receive a 3.0 percent discount for timely filing of their return and payment of the tax if payment is received by the 18th 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 up to 9.3 million gallons of beer distributed in Ohio, and a refund of any excise tax paid.

Any licensed Ohio wine producer whose total sales do not exceed 500,000 gallons in a calendar year will be granted in the following year an exemption from excise tax and a refund of any excise tax paid.

Counties and convention facilities authorities may levy taxes of up to 16 cents per gallon on beer, 32 cents per gallon on wine and mixed beverages, 24 cents per gallon on apple cider, and three dollars per gallon on spirituous liquor. This revenue is to be used for the construction of a sports facility. Cuyahoga County adopted this tax effective August 1, 1990 (see **ALCOHOLIC BEVERAGE TAXES – COUNTY** section).

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).

ALCOHOLIC BEVERAGE TAXES – STATE

HISTORY OF MAJOR CHANGES

- 1933
 - Beer and malt beverages taxed at \$1.00 per barrel.
 - Wine taxed at 10 percent of retail price.
- 1934
 - Liquor taxed at \$1.00 per gallon.
 - Rate on bottled beer and malt beverages set at 0.75 cent(s) per six ounces.
- 1935
 - Mixed beverages taxed at 10 percent of retail price.
 - Malt beverage tax increased to \$2.50 per barrel.
- 1939
 - Mixed beverages taxed at 40 cents per gallon.
 - Wine tax 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 \$1.00 per gallon.
- 1959
 - Sales of wine and mixed beverages subjected to sales tax.
 - Beer tax increased to \$2.50 per barrel.
- 1967
 - Beer and malt beverages subjected to sales tax.
- 1969
 - Liquor gallonage tax increased to \$2.25 per gallon.
 - Mixed beverage tax increased to 80 cents per gallon.
 - Wine tax revised as follows:
 - Wine (less than 14 percent alcohol) 24 cents per gallon.
 - Wine (14 percent to 21 percent alcohol) 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 during the period January - June 1981.

ALCOHOLIC BEVERAGE TAXES – STATE

- 1982
 - Credit against taxes enacted for Ohio brewers and wine producers.
 - Wine tax increased two cents per gallon.
 - Three cents per gallon of tax on wine earmarked for grape industries.
 - Distinction between “beer” and “malt” beverages repealed.
 - Tax on beer in containers of 12 ounces or less changed to 0.125 cent(s) cents per ounce.
- 1989
 - Barreled beer rate increased to \$3.50 per barrel.
- 1992
 - Alcoholic beverage and liquor gallonage rates increased, as follows:
 - Beer to 0.14 cent(s) per ounce for bottled and \$5.58 per barrel.
 - Wine (less than 14 percent alcohol) to 32 cents per gallon.
 - Wine (between 14 and 21 percent alcohol) to \$1.00 per gallon.
 - Sparkling wine to \$1.50 per gallon.
 - Vermouth to \$1.10 per gallon.
 - Mixed beverages to \$1.20 per gallon.
- 1995
 - An additional two cents of the excise tax on wine allocated to the Ohio grape industry special account until July 1, 1999.
 - Tax on apple cider reduced to 24 cents per gallon.
- 1997
 - Department of Liquor Control is renamed Division of Liquor Control and transferred to the Department of Commerce.
- 1999
 - Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2001.
- 2001
 - Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2003.
- 2003
 - Continuation of the two cents/gallon credit to the Ohio Grape Industries Fund until July 1, 2005.

ALCOHOLIC BEVERAGE TAXES – STATE

COMPARISONS WITH OTHER STATES (AS OF 12/03) ⁽¹⁾

Note: ⁽¹⁾ Percentages refer to alcohol content, which is measured by volume.

California

Beer	\$6.20 per barrel
Still wines (less than 14 percent)	20 cents per gallon
Sparkling hard cider (14 percent or more)	20 cents per gallon
Champagne, sparkling wine	30 cents per gallon
Distilled spirits (less than 50 percent)	3.30 per gallon
Distilled spirits (50 percent or more)	6.60 per gallon

Florida

Malt beverages (in containers more than one gallon) (in containers less than one gallon)	48 cents per gallon 6.0 cents per pint or fraction
Beverages and wine (0.5 percent to less than 17.259 percent)	\$2.25 per gallon
Wine (17.259 percent or more)	3.00 per gallon
Wine coolers	2.25 per gallon
Natural sparkling wine	3.50 per gallon
Beverages, other than wine (17.259 percent to 55.78 percent)	6.50 per gallon
Beverages (containing more than 55.78 percent)	9.53 per gallon

Illinois

Beer and cider (between 0.5 percent to 7.0 percent)	18.5 cents per gallon
Wine (7.0 percent or less)	73 cents per gallon
Alcohol and spirits (20 percent or more)	\$4.50 per gallon

Indiana

Beer and hard cider	11.5 cents per gallon
Wine (less than 21 percent)	47 cents per gallon
Wine and liquor (21 percent or more)	\$2.68 per gallon

Kentucky

Beer	\$2.50 per barrel
Wine	50 cents per gallon
Spirits	1.92 per gallon

ALCOHOLIC BEVERAGE TAXES – STATE

Massachusetts

Beer	\$3.30 per barrel
Still wine, including vermouth	55 cents per wine gallon
Sparkling wine and champagne	70 cents per wine gallon
Other alcoholic beverages: (15 percent or less)	1.10 per wine gallon
(over 15 percent to 50 percent)	4.05 per wine gallon
(over 50 percent)	4.05 per proof gallon

Michigan

Beer	\$6.30 per 31-gallon barrel
Wine (16 percent or less)	13.5 cents per liter
Wine (over 16 percent)	20 cents per liter
Liquor (21 percent or more; Note: an additional tax is imposed at a rate of 4.0 percent of the retail selling price)	
On premises	8.0 percent of retail price
Off premises	9.85 percent of retail price
Mixed drinks	48 cents per liter

New Jersey

Beer	12 cents per gallon
Wines, vermouth, sparkling wines	70 cents per gallon
Liquor	\$4.40 per gallon

New York

Beer	11.5 cents per gallon
Still wine	19.0 cents per gallon
Artificial sparkling wine	18.93 cents per gallon
Natural sparkling wine	18.93 cents per gallon
Liquor (24 percent or less)	67 cents per liter
Liquor (more than 24 percent)	1.7 cents per liter

Ohio

Beer: Barrels	\$5.58 per barrel
Beer: Containers (over 12 ounces)	0.84 cent(s) per 6 ounces

ALCOHOLIC BEVERAGE TAXES – STATE

Beer: Containers (12 ounces or less)	0.14 cent(s) per 1 ounce
Wine: (less than 14 percent)	32 cents per gallon
Wine: (14 percent to 21 percent)	\$1.00 per gallon
Apple cider: (alcohol content over 0.5 percent)	24 cents per gallon
Vermouth	1.10 per gallon
Sparkling wine, champagne	1.50 per gallon
Mixed beverages	1.20 per gallon
Liquor	3.38 per gallon

Pennsylvania

Beer	\$2.48 per barrel
Wine	0.5 cent(s) per unit proof per wine gallon
Liquor	18 percent of price (including all applicable federal excise taxes and allowed markups)

Texas

Beer	\$6.00 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 4.0 percent)	19.8 cents per gallon
Distilled spirits	2.40 cents per gallon

West Virginia

Beer	\$5.50 per barrel
Wine	26.406 cents per liter
Liquor	5.0 percent of purchase price



CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

TAXPAYER

Cigarette tax: cigarette dealers (primarily wholesalers), who must be licensed, pay the tax by purchasing tax indicia (stamps or meter impressions). The indicia must be affixed to all packages of cigarettes before sale at retail.

Other tobacco products: manufacturers that sell to retail dealers, wholesale dealers, and retail dealers that receive untaxed products.

TAX BASE

1. Cigarettes.
2. Cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products.

RATES

Cigarettes: 2.75 cents per cigarette (55 cents per package of 20 cigarettes). Other tobacco products: 17 percent of wholesale price.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Fiscal	
<u>Year</u>	<u>Total</u>
2000	\$287.7
2001	282.5
2002	281.3
2003	599.9

DISPOSITION OF REVENUE

General Revenue Fund.

PAYMENT DATES

Cigarette dealers file returns on January 31 and July 31. However, most tax payments are remitted as advanced purchases of indicia. Other tobacco products dealers file returns by the end of the month for the previous month's liability or by April 30, July 31, October 31, and January 31 for the previous quarter's liability.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

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 meter impressions as a commission for affixing and cancelling 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. Counties may levy taxes of up to 0.225 cent(s) per cigarette (4.5 cents per package of 20 cigarettes). The revenue must be used for construction of a sports facility. Cuyahoga County adopted a tax of 4.5 cents per package as of August 1, 1990 (see **CIGARETTE TAXES – COUNTY** section).

SECTIONS OF OHIO REVISED CODE

Chapter 5743.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

<u>Year</u>	<u>Total Tax Rate Per Pack of 20</u>
1931 • Tax enacted.	2.0 cents
1956 • One cent rate increase.	3.0
1959 • Two cents rate increase.	5.0
1969 • Five cents rate increase.	10
1971 • Five cents rate increase. • Cigarettes exempted from sales tax.	15
1981 • One cent rate decrease. • Cigarettes made subject to sales tax.	14
1983 • Tax changes to a per-cigarette rate of 0.7 cent(s).	14
1986 • Counties authorized to levy permissive cigarette tax for funding the building of a sports facility.	14

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

<u>Year</u>		<u>Total Tax Rate Per Pack of 20</u>
1987	• Rate increase of 0.2 cent(s) per cigarette.	18
1991	• All cigarette tax revenues allocated to the General Revenue Fund when capital improvement bonds retired in 1992.	18
1992	• As of January 1, 1992, taxpayers no longer allowed 30-day credit on purchases of tax stamps and meter impressions.	
	• Other tobacco products tax enacted at 17 percent of the wholesale price.	
	• Rate increase of 0.3 cent(s) per cigarette.	24
1994	• Taxpayers allowed 30-day credit on purchases of tax stamps and meter impressions from July 1 to April 30 of each year.	24
1999	• Prohibited affixing of tax stamps to certain packages of cigarettes (gray market cigarettes).	24
	• Required tobacco manufacturers selling cigarettes in Ohio and not part of the Attorney General's tobacco settlement to place funds annually in escrow accounts for payment of future lawsuits.	
2001	• Reduced minimum allowable cigarette stamp discount rate from 3.6 percent to 1.8 percent.	24
2002	• Rate increase of 1.55 cent(s) per cigarette effective July 1.	55
2003	• Purchase of stamps on credit without a bond permitted for qualifying wholesalers.	55

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

COMPARISONS WITH OTHER STATES (AS OF 12/03)

<u>State</u>	<u>Cigarette</u> <u>Tax Rate</u> <u>Per Pack of 20</u>	<u>Other Tobacco</u> <u>Products Rate</u>
	<u>(amount in cents)</u>	<u>(percent of wholesale price)</u>
California	137.0(1)	46.76
Florida	33.9	25.0(2)
Illinois(3)	98.0	18.0
Indiana	55.5	15.0
Kentucky(4)	3.0	—
Massachusetts	151.0	30.0(5)
Michigan	125.0	20.0
New Jersey	205.0	30.0
New York(6)	150.0	37.0
Ohio	55.0	17.0
Pennsylvania	100.0	—
Texas	41.0	35.213(7)
West Virginia	55.0	7.0

Notes: (1) Includes an additional 50 cents per pack tax. (2) Tax is levied on smoking tobacco, chewing tobacco, and snuff. (3) There is also a use tax of 58 cents per pack of unstamped cigarettes. (4) Dealers pay an additional enforcement and administration fee of one-tenth of a cent per pack. (5) Tax is levied on smoking tobacco and cigars. There is also a tax on smokeless tobacco of 90 percent of the wholesale price. (6) There is also a use tax of \$1.50 per pack of unstamped cigarettes. (7) Tax rate shown is for tobacco and snuff. Cigars are taxed at a variable rate, based on price, of from one cent to 15 cents per 10 cigars.



CORPORATION FRANCHISE TAX

TAXPAYER

Domestic and foreign corporations that are doing business in Ohio, owning capital or property in Ohio, holding a charter or certificate of compliance authorizing the corporation to do business in Ohio, or otherwise having nexus with Ohio during the calendar year (unless specifically exempt).

TAX BASE

The corporation franchise tax is an excise tax levied on the value of a corporation's issued and outstanding shares of stock. There are two bases for determining the value of a corporation's issued and outstanding shares: the net income base and the net worth base. A taxpayer pays tax on the base, described below, that produces the greater tax.

1. Ohio Net Worth (taxable value): Net book value of assets less net carrying value of liabilities yields net worth. The net book value of exempted assets is subtracted from net worth and any "qualifying amount" as reflected on the books of the corporation is added to net worth, thus yielding the net value of the stock. This amount is multiplied by the Ohio apportionment ratio to yield taxable value.

2. Ohio Net Income (Ohio taxable income): 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 in and outside Ohio based upon certain siting provisions. For taxable years ending prior to June 26, 2003, Ohio law made no distinction between business income and nonbusiness income. The total income allocated and apportioned to Ohio, plus certain additions and minus certain deductions, yields Ohio taxable income.

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

Net income base apportionment. For taxable years ending on or after June 26, 2003 the net income base property, payroll, and sales factors specifically exclude that portion of property, payroll, and sales otherwise includable in the factors to the extent that the portion relates to, or is used in connection with, production of nonbusiness income allocable under Ohio Revised Code section 5733.051 (see R.C. 5733.05(B)(2) as amended by Amended Substitute House Bill 95, 125th General

CORPORATION FRANCHISE TAX

Assembly); e.g., real property that generates allocable nonbusiness rental income is excluded from the denominator of the property factor, and if the property is in Ohio, it is excluded from both the numerator and the denominator of the property factor.

A market-theory approach is implemented in taxable years ending on or after December 11, 2003 for sales, other than inventory sales, of tangible personal property and real estate. The receipts from such sales are generally situated to Ohio in proportion to the purchaser's benefit, with respect to the sale, in Ohio, to the purchaser's benefit, with respect to the sale, everywhere.

Net worth base apportionment. For taxable years ending on or after June 26, 2003 the numerator and denominator of the net income base property, payroll, and sales factors are adjusted to include the portion of any real property and tangible personal property, payroll, and sales, respectively, relating to, or used in connection with, production of nonbusiness income allocated under R.C. 5733.051 (see R.C. 5733.05(C)(2)); e.g., real property that generates nonbusiness rental income allocated to Ohio is excluded from both the numerator and denominator of the net income base property factor, but the net worth base apportionment property factor is adjusted to include such property.

RATES

General Rate (excluding financial institutions):

1. 4.00 mills on Ohio net worth. The maximum tax for each taxpayer on the net worth base is \$150,000.
2. 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 filed combined.)

The minimum fee is \$50 for taxpayers having a taxable year ending on or before June 25, 2003. For taxable years ending on or after June 26, 2003, the minimum fee increased to \$1,000 if (1) the sum of the taxpayer's gross receipts from its activities in and outside Ohio during the year equals or exceeds \$5.0 million, or (2) 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 fee remains \$50.

CORPORATION FRANCHISE TAX

In addition, corporations are subject to an additional litter tax. Each corporation is subject to the Tier I litter tax, and “litter-stream” corporations are also subject to the Tier II litter tax.

Financial institutions rate:

13 mills on net worth, but the \$150,000 net worth tax limit does not apply.

The minimum fee is \$50 for taxpayers having a taxable year ending on or before June 25, 2003. Effective for taxable years ending on or after June 26, 2003, the minimum fee increased to \$1,000 if (1) the sum of the taxpayer's gross receipts from its activities in and outside Ohio during the taxable year equals or exceeds \$5.0 million or (2) the total number of its employees in and outside Ohio at any time during the taxable year equals or exceeds 300. For all other taxpayers the minimum fee remains \$50. (Neither the net income base nor the litter tax applies to financial institutions.)

MAJOR EXEMPTIONS

- Nonprofit corporations.
- Dealers in intangibles (stockbrokers, mortgage companies, etc.).
- Insurance companies, HMO's, and other corporations required to file annual reports with the Director of the Department of Insurance.
- Public utilities (except railroads, electric companies, long distance telephone companies, and beginning in 2005 all telephone companies).
- Credit unions.
- “S” corporations and qualified subchapter S subsidiaries (QSSS).
- Real Estate Investment Trusts (REIT), Regulated Investment Companies (RIC), and Real Estate Mortgage Investment Conduits (REMIC).
- Corporations in bankruptcy proceedings under Chapter 7 of the U.S. Bankruptcy Code.
- Corporations exempt under federal law.
- High-technology start-up companies are exempt from the net worth base. Subject to certain limitations, a corporation that is organized not more than three years prior to March 31 of any tax year during the 2003-2007 period is not subject to the net worth base of the franchise and litter taxes during such tax year. (Such corporations are subject to the net

CORPORATION FRANCHISE TAX

income base of the franchise and litter taxes.)

- Qualifying holding companies are exempt from the net worth base.

REVENUE (IN MILLIONS)

Fiscal Year	General Rev. Fund	Local Gov't. Funds	Other Funds (1)	Total
2000	\$969.4	\$48.9	\$11.6	\$1,029.9
2001	915.3	46.1	11.6	973.0
2002	712.3	48.8	13.3	774.4
2003	747.2	47.5	13.6	808.3

Note: (1) Includes litter funds, and Attorney General Claims Fund.

DISPOSITION OF REVENUE

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

For fiscal years 2002 and 2003, the two local government funds were “frozen” and each received the same amount of corporation franchise tax revenue as they received in FY 2001. The remainder was deposited in the General Revenue Fund. This “freeze” is continued in FY 2004. Refer to **Disposition of Revenue** in the **INDIVIDUAL INCOME TAX** section for information on the semi-annual reduction of the Local Government Fund and Local Government Revenue Assistance Fund deposits.

PAYMENT DATES

January 31:	1/3 of tax liability.
March 31:	1/3 of tax liability.
May 31:	1/3 of tax liability.

SPECIAL PROVISIONS/CREDITS

A nonrefundable credit is provided for cash donations made to municipal corporations, townships, counties, park districts, and boards of education that have received litter control and recycling grants. The credit is limited to the lesser of one-half of the cash donation or one-half of the sum of the litter taxes paid by the taxpayer.

CORPORATION FRANCHISE TAX

A nonrefundable credit is provided to state-chartered savings and loan institutions for the difference between the annual assessment paid to the state division of savings and loans and the supervisory fees paid to the federal savings and loan insurance corporation.

A nonrefundable credit is available equal to the taxpayer's proportionate share of the 8.5 percent tax paid by a pass-through entity in which the taxpayer is directly or indirectly a qualifying investor.

In addition to other applicable credits, corporations located in an "enterprise zone" may qualify for three nonrefundable credits:

1. Credit for amount reimbursed to certain employees for day-care costs — maximum of \$300 per child.
2. Credit for amount reimbursed to certain employees for job-training costs — maximum of \$1,000 per employee.
3. Credit for each new employee hired who had been a participant in the Ohio Works program, the prevention, retention, and contingency program, or the former general assistance program — \$1,000 per employee.

A nonrefundable credit may be taken for manufacturing machinery and equipment purchased between July 1, 1995 and December 31, 2015 and located in Ohio. The credit is 7.5 percent of the amount by which the cost of the qualifying equipment purchased during the qualifying period for use in an Ohio county exceeds the "base investment" for that county. For equipment that is located in certain eligible areas (areas classified as inner city, distressed, labor surplus, or in situational distress), the credit percentage is 13.5 rather than 7.5 percent.

A nonrefundable credit may be claimed by grape producers equal to 10 percent of the cost of property used in growing, harvesting or producing grapes in Ohio.

A nonrefundable credit may be granted to investors who make qualified investments in qualifying small Ohio-based research and development or technology transfer companies. The credit is 25 percent of the amount of capital invested by the taxpayer in the qualifying company.

A nonrefundable credit is provided equal to one-half of the average annual costs for an eligible job training program,

CORPORATION FRANCHISE TAX

subject to a maximum of \$1,000 per trained employee and a \$100,000 maximum per taxpayer.

A nonrefundable credit is available equal to 7.0 percent of the excess of qualified research expenses incurred during the taxable year over the average annual qualified research expenses incurred during the three preceding taxable years.

A nonrefundable credit is available to an affiliated group if the group pays over \$3.5 million in additional tax as a result of the related entity and related member adjustments. The credit is equal to the additional tax in excess of \$3.5 million but may not exceed \$1.5 million.

A nonrefundable credit is provided to railroad companies equal to 10 percent of their total maintenance expenditures during the taxable year for each grade crossing warning device in this state. But the credit for each device may not exceed \$200 per year.

A nonrefundable credit may be granted by the Director of the Department of Development equal to 10 percent of a company's costs incurred in completing a voluntary clean-up of a contaminated site (not to exceed \$500,000).

A nonrefundable credit is available to electric companies equal to \$3.0 per ton of Ohio coal used in a coal-fired electric generating unit.

A nonrefundable credit is available beginning in tax year 2004 equal to a borrower's qualified research and development loan payments during the calendar year immediately preceding the tax year. These payments represent principal and interest on a loan made to the borrower from the research and development fund administered by the Ohio Department of Development.

A nonrefundable credit is available to Ohio Venture Capital Program lenders and investors to provide some security against losses on loans to the program (this credit is not available until 2007).

In determining Ohio taxable income, a corporation claiming the pass-through entity tax credit must add to federal taxable income the amount claimed as a credit to the extent that the amount was deducted or excluded from the corporation's federal taxable income.

CORPORATION FRANCHISE TAX

Financial institutions are subject to a franchise tax net worth base that differs from the net worth base of general corporations. Financial institutions are also subject to a different apportionment formula than that used for general corporations.

A corporation that dissolves or surrenders its license to conduct business prior to January 1 of the tax year, while not subject to the franchise tax, is subject to an “exit tax” on its unreported Ohio net income (income not previously included in a franchise tax report). Under certain circumstances the income of a transferor corporation no longer subject to the franchise tax is attributed to a transferee corporation that received substantially all of the transferor corporation’s assets.

Under certain circumstances a taxpayer must add to its income certain gains and losses that were included in the federal taxable income of a related entity that is not an Ohio taxpayer. Interest expense and intangible expense paid to related members are also added to a taxpayer’s net income.

If a taxpayer is a related member to a qualifying holding company, the taxpayer must adjust its net worth and debt by the “qualifying amount.” The qualifying amount is an amount that results in the taxpayer’s debt-to-equity ratio equaling the debt-to-equity ratio of the qualifying controlled group of which the taxpayer is a member.

SECTIONS OF OHIO REVISED CODE

Chapter 5733.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- | | |
|------|--|
| 1902 | • Enacted at rate of 1.0 mills on value of capital stock located in Ohio. |
| 1959 | • Rate increased to 3.0 mills. |
| 1967 | • Rate increased to 4.0 mills. |
| 1969 | • Rate increased to 5.0 mills. |
| 1971 | • Income base added; 4.0 percent on first \$25,000 of net income, 8.0 percent on \$25,001 and above. |

CORPORATION FRANCHISE TAX

- 1978 • Credit allowed for certain tangible property taxes.
- 1980 • Additional “litter” rates enacted for tax years 1981 through 1986:
⇒ Litter rates for all corporations except “litter stream” corporations – 0.14 mill on net worth, or 0.11 percent on the first \$25,000 of income and 0.22 percent on income over \$25,000. Maximum tax of \$5,000.
⇒ Litter rates for corporations manufacturing or selling “litter stream” products – 0.28 mill on net worth, or 0.11 percent on the first \$25,000 of income and 0.44 percent on income over \$25,000. Maximum tax of \$10,000.
• 15 percent surtax imposed for tax year 1981.
- 1981 • Increase in regular corporate rates to 5.5 mills on net worth and to 4.6 percent and 8.7 percent on net income. The minimum tax was increased to \$150. Financial institutions exemption repealed; they became taxed at a 6.5-mill rate on net worth for tax years 1982 and 1983.
• 5.75 percent surtax imposed for tax year 1982.
- 1982 • 5.75 percent surtax imposed for tax year 1983.
- 1983 • Increase in regular corporate rates to 5.82 mills on net worth and to 5.1 percent and 9.2 percent on net income plus a 5.4 percent surtax. The minimum tax was reduced to \$50.
• Increase in financial institutions rates 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 • Litter tax rates continued through 1991.
• Surtax on net income reduced to 2.7 percent in 1987, repealed in 1988.
• “S” corporations exempted beginning in 1987.
- 1986 • Net income top rate decreased to 8.9 percent in 1988; lower bracket doubled to first \$50,000 of net income for 1989.
- 1987 • Long-distance telephone companies subject to tax in 1988.
• Litter tax rates continued through 1993.

CORPORATION FRANCHISE TAX

- 1989
 - Corporations undergoing “F” reorganizations subject to tax.
- 1991
 - Income transferred to passive investment corporations subject to tax and certain costs and expenses paid to those corporations disallowed.
- 1992
 - Credit for increased exports enacted.
 - Credit for new jobs created.
 - Railroads explicitly subject to tax in 1993.
 - Litter tax rates extended to 1995.
- 1994
 - 20 percent investment tax credit enacted.
 - Enterprise zone employment credit created.
 - Grape production credit enacted.
 - Litter tax rates made permanent.
- 1995
 - 7.5/13.5 percent investment tax credit enacted.
 - Portion of corporation franchise tax payments made by railroads earmarked for rail development fund (expired in FY 2000).
- 1996
 - Credit given for costs incurred completing voluntary clean-up of a contaminated site.
 - Credit given for investors who make qualified investments in an Ohio early stage investment entity.
- 1997
 - Eligible period for 7.5 /13.5 percent investment tax credit extended to December 31, 2000.
 - Effective tax year 1999, net worth tax simplified, tax rate lowered to 4.0 mills and maximum liability of \$150,000; top net income tax rate also lowered to 8.5 percent. Tax on financial institutions reformed effective tax year 1998 with a 14-mill rate in tax year 1999 and 13-mill rate beginning tax year 2000. Net income tax rates imposed on qualifying pass-through entity income.
- 1999
 - Eligible period for 7.5 /13.5 percent investment tax credit extended to December 31, 2005.
 - Effective tax year 2001, credit given for increased instructional costs for employee training.
 - Effective tax year 2002, credit provided for increase in qualified research expenses.
 - Effective tax year 2002, credit available for costs of maintaining active railroad grade crossing devices.

CORPORATION FRANCHISE TAX

- Electric utilities subject to corporation franchise tax effective in 2002.
 - Credit of \$3.0 per ton of coal burned in coal-fired electric generating unit after April 30, 2001 but before January 1, 2005, effective in 2002.
- 2000
- Effective tax year 2001, credit of lesser of \$1,000 or one-half of the cost of lights and reflectors installed on agricultural tractors, if purchased between October 5, 2000 and October 4, 2001.
 - Job training credit changes enacted.
- 2001
- Job training tax credit delayed until tax year 2004 and extended through tax year 2006 (originally scheduled to expire in tax year 2004).
 - Credit for increase on qualified research expenses delayed until tax year 2004 (originally scheduled to begin in tax year 2002).
 - Effective tax year 2003, credit available on investments made by a financial institution in a dealer in intangibles.
 - Effective tax year 2003, credit available for fostering job retention.
 - Effective tax year 2003, net worth exemption for high-tech start-ups for first three years of existence.
- 2002
- Job retention credit created.
 - Net worth exemption enacted for high-tech start-up companies.
 - Credit enacted for investment in certified ethanol plants.
 - Bonus depreciation adjustment.
 - Codification of the Department of Taxation's policy and interpretation of disregarded entities.
 - Codification of uniform application for refund procedure applicable to franchise tax and various other taxes.
 - Codification of a uniform petition for reassessment procedure applicable to franchise tax and various other taxes.
 - Revision of the late payment penalty including a penalty safe-harbor for estimated payments.
 - Extension of the Ohio net operating loss carryover consistent with federal law.

CORPORATION FRANCHISE TAX

- 2003
- For taxable years ending on or after June 26, 2003, enacted business/nonbusiness income treatment:
 - ⇒ I.R.C. Section 179 depreciation adjustment;
 - ⇒ Revision of sham transaction statute;
 - ⇒ Increase to \$1,000 of the minimum fee for certain large corporations; and
 - ⇒ Permitted net worth apportionment ratio to differ from net income apportionment ratio.
 - Manufacturing and equipment credit extended 10 years to Dec. 31, 2015.
 - Research and development loan repayment credit enacted.
 - Credit allowed for losses on loans made to Ohio Venture Capital Program.
 - Sales factor amendments enacted that implement a market-theory approach for sales other than inventory sales of tangible personal property and real estate.

COMPARISONS WITH OTHER STATES (AS OF 1/04)

California

8.84 percent of net income.

Florida

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

Taxpayers also subject to excise tax of 2.2 percent on the adjusted value of the federal Accelerated Cost Recovery System (ACRS) depreciation allowance.

Illinois

4.8 percent of net income. 2.5 percent personal property replacement tax on net income. 0.1 percent franchise tax on paid-in capital.

Indiana

8.5 percent of net income.



CORPORATION FRANCHISE TAX

Kentucky

<u>Taxable Net Income</u>	<u>Rate</u>
Up to — \$25,000	4.00 percent
\$25,001 — 50,000	5.00
50,001 — 100,000	6.00
100,001 — 250,000	7.00
Over — 250,000	8.25

Plus: 0.21 percent on capital employed.

Massachusetts

Corporations pay the greater of the following:

- 0.26 percent on taxable tangible property that is not subject to local taxation or on allocated net worth; or
- \$456 (\$400 base rate, plus a surtax of 14 percent of the net tax paid).

Michigan

Adjusted tax base includes business income, compensation paid to employees, interest payments, and depreciation of tangible assets. For taxpayers with a fiscal year ending in December, the tax year 2003 rate is 1.8 percent.

New Jersey

For tax year 2003, corporations pay the greater of the following:

- a minimum tax of \$500 (\$2,000 if annual payroll is at least \$5.0 million); or
- a tax of 9.0 percent 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.

New York

7.5 percent of net income, 0.178 percent of capital, or 3.0 percent of modified net income, whichever is greatest.



CORPORATION FRANCHISE TAX

Ohio

Greater of 5.1 percent of the first \$50,000 of net income and 8.5 percent of net income over \$50,000, or 0.4 percent of net worth (maximum \$150,000) or minimum fee. Corporations that meet the ownership requirements to file a combined report must share the \$0 to \$50,000 tax bracket to which the 5.1 percent rate applies regardless of whether or not they actually file combined. Additional rates on all corporations except “litter stream” corporations are 0.11 percent and 0.22 percent of net income or 0.14 mills of net worth, with a maximum tax from these rates of \$5,000; additional rates on “litter stream” corporations are 0.14 mills of net worth or 0.22 percent of net income, with a maximum tax from these rates of \$5,000.

Notes: The minimum fee is \$1,000 if the taxpayer's taxable year ended on or after June 26, 2003 and (1) the sum of the taxpayer's gross receipts from activities in and outside Ohio during the taxable year equals or exceeds \$5.0 million or (2) the total number of the taxpayer's employees in and outside Ohio at any time during the taxable year equals or exceeds 300. The minimum fee is \$50 for taxpayers whose taxable year ended before June 26, 2003 and for taxpayers whose taxable year ended on or after June 26, 2003 but whose gross receipts and number of employees do not exceed the thresholds discussed above.

Pennsylvania

9.99 percent of net income plus 0.699 percent of taxable value of capital stock.

Texas

The greater of 0.25 percent on net taxable capital or 4.5 percent on net taxable earned surplus.

West Virginia

9.0 percent of net income plus additional franchise tax equal to 0.7 percent on capital employed.



DEALERS IN INTANGIBLES TAX

TAXPAYER

Dealers in intangibles (stockbrokers, mortgage brokers, securities dealers, finance companies, and loan companies, etc.).

TAX BASE

Shares in capital employed by dealers in intangibles.

RATE

Eight mills (0.8 percent) of value.

MAJOR EXEMPTIONS

U.S. government securities.

REVENUE (IN MILLIONS) (1)

Fiscal		Local	
Year	GRF	Portion	Total
2000	\$8.7	\$13.6	\$22.3
2001	9.5	15.4	24.9
2002	7.1	11.4	18.5
2003	30.0	8.7	38.7

Note: (1) Figures in this table are on a fiscal year basis and from the Office of Budget and Management. These amounts will not match the calendar year tax liability data contained in the Ohio Department of Taxation's **Annual Report**.

DISPOSITION OF REVENUE

State General Revenue Fund: three-eighths of receipts. County Undivided Local Government Fund: five-eighths of receipts.

Effective for tax year 2003, all receipts from dealers owned by a financial institution or an insurance company are deposited in the state General Revenue Fund.

PAYMENT DATES

Dealers in intangibles must file tax returns by the second Monday in March, and the Tax Commissioner certifies the tax to the State Treasurer by the first Monday of May. Within 20 days the State Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill is mailed.

SPECIAL PROVISIONS/CREDITS

None.

DEALERS IN INTANGIBLES TAX

SECTIONS OF OHIO REVISED CODE

Chapters 5707, 5719, and 5725.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1931 • Enacted at 5.0 mills.

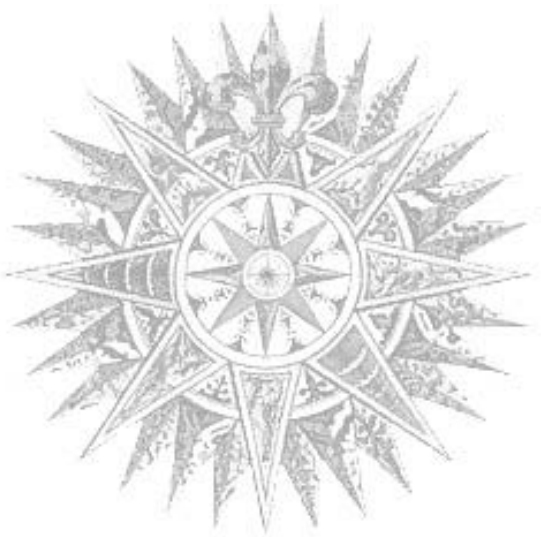
- 1971 • One mill increase earmarked for state General Revenue Fund.

- 1987 • Two mill increase for state General Revenue Fund.
 - Assessment certification date changed from first Monday in June to first Monday in May.

- 2001 • Effective for tax year 2003, dealers owned by a financial institution or insurance company subject to dealers in intangibles tax. All revenue generated from such taxpayers is deposited in the state General Revenue Fund.

COMPARISONS WITH OTHER STATES (AS OF 01/04)

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



ESTATE TAX

TAXPAYER

The estate representative (executor, administrator, trustee, etc.) or person in possession of taxable property.

TAX BASE

The net taxable estate equals the value of the gross estate less allowable deductions.

RATES

Net Taxable Estate	Tax Rate
0 - \$40,000	2.0 percent of taxable estate
\$40,000 - 100,000	\$800 + 3.0 percent of excess over \$40,000
100,000 - 200,000	2,600 + 4.0 percent of excess over 100,000
200,000 - 300,000	6,600 + 5.0 percent of excess over 200,000
300,000 - 500,000	11,600 + 6.0 percent of excess over 300,000
500,000 and over	23,600 + 7.0 percent of excess over 500,000

MAJOR EXEMPTIONS

Marital Deduction:

A marital deduction is allowed in an amount 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:

Certain items eligible to be deducted from the gross estate prior to calculating tax liability include, but are not limited to: funeral expenses, costs of administering the estate, unpaid debts against the estate, charitable bequests, portions of an annuity or other death benefit plan contributed by an employer, and qualified family-owned business interests.

REVENUE (IN MILLIONS) (1)

Fiscal Year	Local Governments	General Revenue Fund	Total
2000	\$294.7	\$140.0	\$434.7
2001	285.6	166.0	451.6
2002	259.2	116.3	375.5
2003	256.9	100.8	357.7

Notes: (1) State General Revenue Fund figures are based on actual receipts reported by the Office of Budget and Management. Local government figures represent a liability because they are based on the certification of the local share (including fees) from the semi-annual settlements that occur each year.

ESTATE TAX

DISPOSITION OF REVENUE

Estates with dates of death on or after January 1, 2002: 80 percent to the municipal corporation or township of origin; 20 percent, less costs of local administration, to the state General Revenue Fund.

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 at the expiration of 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/CREDITS

For estates with a date of death on or after January 1, 2002, the credit is equal to the lesser of \$13,900 or the amount of estate tax owed. This effectively exempts the first \$338,333 of the taxable estate from taxation.

Additional Estate Tax:

Tax levied in addition to the basic estate tax, to take advantage of a federal law which allows a credit against federal estate tax liability for state death taxes paid. In general, the amount of additional tax due and payable is the difference between the maximum federal credit allowed prior to the Economic Growth and Tax Relief Reconciliation Act of 2001 minus state death taxes paid to Ohio and other states, U.S. territories, and the District of Columbia.

Generation-Skipping Tax:

Tax levied to take advantage of a federal law allowing a state credit against federal tax liability on generation-skipping transfers of property. (Generation-skipping tax is a tax on transfers of property and trust to each generation, i.e., a trust established for a child that is transferred to a grandchild is taxed at each transfer.) The tax is levied on every generation-skipping transfer of property having a situs in Ohio that occurs at the same time as, and as a result of, the death of an individual. The Ohio tax is levied in an amount equal to the federal credit. The credit shall not exceed 5.0 percent of the amount of the generation-skipping transfer tax imposed. In the case of a direct skip, i.e., a property or trust transferred directly to a grandchild, the tax is not levied on the middle generation.

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. 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 • First Ohio death tax enacted — an inheritance tax levied on the succession of property from a decedent's estate.
- 1968 • Inheritance tax repealed and an estate tax levied on taxable value of the estate.
- 1976 • Surviving spouse exemption raised from \$20,000 to \$30,000.
- 1979 • Resident decedent estates with gross value under \$5,000 exempted from filing returns.
- 1982 • Resident decedent estates with gross value under \$10,000 exempted from filing returns, and all previous general and family exemptions doubled in amount.
- 1983 • Tax credit and marital deduction adopted, family and general exemptions repealed, and resident decedent estates with gross value under \$25,000 exempted from filing returns.
- 1993 • Unlimited marital deduction became effective July 1, 1993.
- 1997 • Effective March 7, 1997, excluded from taxable estate that portion of an annuity or other death benefit plan contributed by an employer.

ESTATE TAX

- 1999
 - Increased from \$25,000 to \$40,000 the amount of property or money that a surviving spouse and/or children of the decedent can claim as an allowance for support.
 - Increased from \$85,000 to \$100,000 the maximum value of a decedent's estate that can be relieved from administration, but only where the surviving spouse is entitled to inherit all assets of the estate.
- 2000
 - Two year, phased-in increase of the estate tax credit from \$500 to \$13,900.
 - Two year, phased-in increase of the local share of estate tax revenue from 64 percent to 80 percent, lowering the state share from 36 percent to 20 percent.
 - Deduction created for qualifying family-owned business interests.
 - A trustee's duty to distribute income at least annually to a surviving spouse from an IRA marital deduction trust satisfied so long as the language is in place to require that distribution.
- 2001
 - Adoption of provisions (where certain circumstances apply) increasing from nine months to 13 months the timeframe within which an executor or administrator, after the date of their appointment, shall collect decedent's assets and complete the estate administration.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

Ohio

Rates from 2.0 percent where taxable estate is less than \$40,000, to \$23,600 plus 7.0 percent of excess over \$500,000 for estates over \$500,000.

Note: The estate tax credit effectively exempts the first \$338,333 of estate value from taxation.

Unlike **Ohio**, some states, including **Indiana, Kentucky, New Jersey**, 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 than upon the value of the estate itself.

ESTATE TAX

Other states, including **California, Florida, Michigan, Texas,** and **West Virginia**, levy only a pick-up tax equivalent to the current federal credit.

The following states have de-coupled their estate tax from the federal code: **Illinois, Massachusetts, New Jersey, New York,** and **Pennsylvania.**



HORSE RACING TAX

TAXPAYER

Racing permit holder.

TAX BASE

Pari-mutuel tax is levied on the total amount wagered each day.

An additional wagering tax is levied on exotic wagering (other than win, place and show). This includes the daily double, quinella, perfecta, and trifecta.

RATES

Pari-mutuel daily wagering (total rates):

Amount	
<u>Wagered Daily</u>	<u>Rate</u>
First \$200,000	1.0 percent
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

Exotic wagering:

3.0 percent of the amount wagered daily.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Fiscal Year	Passport Fund	Thoroughbred Fund	Standardbred Fund	Other Funds	Total
2000	\$5.2	\$4.1	\$1.8	\$5.5	\$16.6
2001	5.5	4.2	1.9	5.7	17.3
2002	5.2	3.9	2.1	6.2	17.4
2003	4.6	3.3	2.0	5.6	15.5

DISPOSITION OF REVENUE

<u>Distribution to</u>	<u>Amount</u>
Passport Fund	25 percent of gross tax, 0.5 percent of amount wagered at an off-track betting parlor, 2.5 percent of the amount paid on winning tickets at an off-track betting parlor.

HORSE RACING TAX

Agricultural Societies	Remainder after distributions to other funds plus 16.7 percent of the tax on exotic wagering conducted at county fairs.
Ohio Fairs Fund	0.5 percent of total wagering plus 8.3 percent of exotic wagering.
Ohio Standardbred Development Fund	1.125 percent of total wagering on harness racing plus 8.3 percent of exotic wagering on harness races.
Ohio Quarter Horse Development Fund	0.625 percent of total wagering on quarter horse races plus 8.3 percent of exotic wagering on quarter horse races.
Ohio Thoroughbred Race Fund	1.125 percent of total wagering on thoroughbred races and 0.50 percent of total wagering on commercial harness races plus 8.3 percent of exotic wagering on thoroughbred races.
State Racing Commission Operating Fund	16.7 percent of the revenues from the 3.0 percent exotic wagering tax and 0.25 percent of exotic wagering on thoroughbred, harness, and quarter horse races.

PAYMENT DATES

At the end of each racing day.

SPECIAL PROVISIONS/CREDITS

Capital improvements credit: 0.75 percent of amount wagered is deducted from tax liability at tracks making approved construction.

Major capital improvements credit: 1.0 percent of amount wagered is deducted from tax liability at tracks making an approved renovation costing \$6.0 million or more.

SECTIONS OF OHIO REVISED CODE

Chapter 3769.

HORSE RACING TAX

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner administers tax.

Racing Commission regulates racing and licensing.

HISTORY OF MAJOR CHANGES

- 1933 • Enacted.
- 1953 • Rates reduced.
- 1955 • Rates increased for thoroughbred racing; separate rate schedule for harness racing and agricultural societies established.
- 1957 • Ohio fairs fund established.
- 1959 • Rates increased; thoroughbred fund established.
- 1975 • Flat rate adopted for thoroughbred racing; rates reduced for harness racing; quarter horse and standardbred funds established; tax credit for capital improvements established; racing days increased.
- 1976 • Quarter horse rates reduced.
- 1977 • Tax credit reconstruction of damaged racetracks established.
- 1979 • Quarter horse rates reduced for a period of four years.
- 1981 • Thoroughbred and harness racing rates reduced; tax credit for capital improvements increased; additional tax on exotic wagering established.
- 1984 • Tax rates and brackets for thoroughbred, harness, and quarter horse wagering reduced.
 - 1.5 percent major capital improvements credit with a minimum credit of \$10 million enacted.
- 1989 • Exotic wagering rate increased from 2.5 percent to 3.0 percent.
- 1993 • Major capital improvements tax credit minimum

HORSE RACING TAX

level for eligibility lowered from \$10 million to \$6.0 million. Credit only applied to projects approved prior to March 29, 1988.

- 1994
 - Wagering on simulcast events allowed. Required that revenues not going to horse racing funds go to the Passport Program.
 - Amount of major capital improvements tax credit reduced from 1.5 percent to 1.0 percent of wagering. Credit will end as of December 31, 2004.
- 1996
 - Ohio Horse Racing Quality Assurance Fund eliminated. Share of gross tax revenues allocated to the Passport Fund at 25 percent. Wagering on out-of-state simulcast of racetracks allowed.
- 1999
 - Racetracks allowed to apply for a major tax abatement equal to the cost of repairs made to the race track as a result of damage caused by the 1997 Ohio River flood.
 - Sunset date of major capital improvements tax credit extended by 10 years, from December 31, 2004, to December 31, 2014. Credit limited only to projects approved prior to March 29, 1988.
- 2001
 - Provisions limiting major capital improvements tax credit to projects approved by Racing Commission prior to March 29, 1988 removed.
 - Additional tax of 0.25 percent on exotic wagering imposed, with revenues to be distributed to the State Racing Commission Operating Fund.
 - \$2.5 million limit on the amount of money the State Racing Commission Operating Fund may receive in a calendar year from allocations of the horse racing tax removed.



HORSE RACING TAX

COMPARISONS WITH OTHER STATES (AS OF 12/03)

Commercial Racing

<u>Rate Range</u>	<u>Type of Racing</u>
California	
0.3 – 3.0 percent	All horse (1)
0.4 percent	Quarter horse
0.4 percent	Harness
Florida	
1.0 – 3.3 percent	Harness
0.7 – 3.3 percent	Thoroughbred
7.6 percent	Dog
Illinois	
1.5 percent of daily pari-mutuel handle (total pari-mutuel wagers)	All horse
Indiana (2)	
2.0 – 2.5 percent	All horse
Kentucky	
1.5 – 3.5 percent	All horse
Massachusetts	
4.0 – 11.0 percent	All horse
4.0 – 11.0 percent	All dog
Michigan	
3.5 percent	All horse
New York	
4.0 – 6.5 percent	All horse
7.0 – 7.75 percent	Exotic wagering
Ohio	
1.0 – 4.0 percent	All horse
3.0 percent	Exotic wagering

Notes: (1) Rate dependent on location and time of year.

(2) In addition, 20 cents per paid admission at racetracks and satellite facilities is to be paid to the state department of revenue.

HORSE RACING TAX

Pennsylvania

1.5 – 2.0 percent
Additional 0.7 percent

All horse
Exotic wagering

Texas

1.0 – 5.0 percent, for
live events depending
on the betting pool.
1.0 percent, for simulcast
pools regardless of
species or amount wagered.

All horse
and greyhound

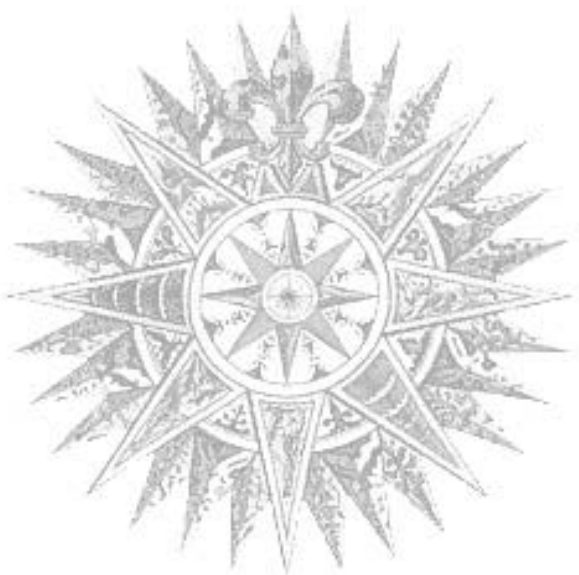
All horse
and greyhound

West Virginia

0.4 – 1.4 percent
3.0 – 5.75 percent
4.0 – 8.0 percent

Thoroughbred
Harness
Dog

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



INDIVIDUAL INCOME TAX - STATE

TAXPAYER

Individuals, trusts and estates residing in Ohio or earning or receiving income in Ohio; and employers who pay wages and salaries to an Ohio resident.

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. There are no personal exemptions allowed to estates, and no exemption credits are allowed to estates and trusts.

RATES (TAXABLE YEAR 2003)

Ohio Taxable					
Income		Tax Calculation			
0 — \$5,000		0.743 percent of Ohio taxable income			
\$5,001 — \$10,000		\$37.15	+	1.486	percent of excess over \$5,000
\$10,001 — \$15,000		\$111.45	+	2.972	percent of excess over \$10,000
\$15,001 — \$20,000		\$260.05	+	3.715	percent of excess over \$15,000
\$20,001 — \$40,000		\$445.80	+	4.457	percent of excess over \$20,000
\$40,001 — \$80,000		\$1,337.20	+	5.201	percent of excess over \$40,000
\$80,001 — \$100,000		\$3,417.60	+	5.943	percent of excess over \$80,000
\$100,001 — \$200,000		\$4,606.20	+	6.900	percent of excess over \$100,000
Over — \$200,000		\$11,506.20	+	7.500	percent of excess over \$200,000

Each year, the income tax rates can be temporarily reduced from statutory rates due to surplus state funds at the close of the fiscal year. Any surplus funds are transferred to the Income Tax Reduction Fund (ITRF). The funds in the ITRF are used to determine the percentage rate cut for the current year. In FY 2003, there were no surplus funds; so, the 2003 rates are the statutory rates. The tax rates for 2004 will not be set until July 2004, after the close of FY 2004 (on June 30, 2004).

MAJOR EXEMPTIONS

See *Special Provisions/Credits*.

REVENUE (IN MILLIONS)

Fiscal Year	General Rev. Fund	Local and Library Funds	Other ⁽¹⁾	Total
2000	7,232.0	848.8	3.8	8,084.6
2001	7,263.4	852.5	3.4	8,119.3
2002	7,304.2	848.7	4.2	8,157.1
2003	7,420.7	829.8	6.0	8,256.5

Note: (1) Includes Political Party Fund and Attorney General Claims Fund.

INDIVIDUAL INCOME TAX - STATE

DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 89.5 percent of remaining revenue is deposited in the General Revenue Fund, 5.7 percent is deposited in the Library and Local Government Support Fund, 4.2 percent is deposited in the Local Government Fund, and 0.6 percent is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the three local government funds were “frozen” and each received the same amount of individual income tax revenue as they received in FY 2001. The remaining revenue was deposited in the General Revenue Fund. However, if the total amount deposited in the local funds from all selected tax revenue sources during a designated semi-annual period exceeds the amount that would have been deposited had the statutory percentages been in effect, such excess is transferred from the local funds to the General Revenue Fund.

This “freeze” on local government funds is continued in FY 2004. During the fiscal year, each of the three local government funds will receive the same amount of revenue received during fiscal years 2002 and 2003.

The Political Party Fund received a transfer from the General Revenue Fund equal to the amount calculated from the check-off on the income tax return.

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 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 must file an estimated return and make quarterly payments on or before April 15, June 15, September 15 of the current year and January 15 of the next year.

INDIVIDUAL INCOME TAX - STATE

For Employers

Employers remit tax from several times a week to quarterly, depending on the amount of state income tax withheld.

SPECIAL PROVISIONS/CREDITS

Standard Personal Exemption and Credit

Personal exemptions are \$1,250 per person for tax year 2003. This amount is indexed for inflation each year. A credit against tax due of \$20 per personal exemption is allowed.

Joint Filer Credit

A husband and wife who file a joint return are allowed a tax credit if each had at least \$500 of income exclusive of interest, dividends and distributions, royalties, rents, and capital gains, that is included in Ohio adjusted gross income. The maximum credit is \$650. The credit is a percentage of the tax after all other credits (except the resident/nonresident and nonrefundable business credits) as shown below:

Ohio Taxable Income	Amount of Credit
\$25,000 or less	20 percent of tax
\$25,001 to \$50,000	15 percent of tax
\$50,001 to \$75,000	10 percent of tax
more than \$75,000	5.0 percent of tax

Senior Citizen Credit

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

Retirement Income Credit

Taxpayers receiving retirement income which is included in Ohio adjusted gross income are allowed a credit based on the amount of retirement income received during the taxable year according to the following schedule:

Amount of Retirement Income Received During the Taxable Year			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

INDIVIDUAL INCOME TAX - STATE

Military Pay

Military pay is taxable (except combat zone pay) if the individual is domiciled in Ohio (is a resident of the state, according to the state of legal residence/home of record entered in their military personnel record). Service personnel are not required to pay the Ohio income tax on military pay, even though stationed in Ohio, if they are domiciled in a state other than Ohio. They must compute a nonresident tax credit on the military pay. Various exclusions and extensions are in effect for pay earned in a combat zone.

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 only file with their state of residence. Exception: this rule does not apply if the individual owns, directly or indirectly, at least 20 percent of a pass-through entity having nexus inside Ohio.

Nonresident/Part-year Resident Income Credits

Taxpayers who are nonresidents or part-year residents of Ohio and earn income while living in another state, or have income taxed by another state, receive a credit for that portion of income.

Child and Dependent Care Credit

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

Job Training Credit

Taxpayers may claim a credit for training expenses incurred within 12 months of losing or leaving a job due to abolishment of position or shift. The credit is for the lesser of \$500 or 50 percent of the training costs.

Political Contribution Credit

Taxpayers may claim an individual income tax credit for contributions made to the campaign committee of candidates for statewide elected offices or the General Assembly. The amount of the credit is equal to the lesser of the combined total contributions made during the taxable year or \$50 per individual return and \$100 per joint return.

INDIVIDUAL INCOME TAX - STATE

Adoption Credit

Taxpayers with adoption expenses, except for the adoption of a stepchild, may claim a nonrefundable credit up to \$500.

Nonresident Credit

Computation of this credit changed to a market-theory approach for taxable years ending on or after December 11, 2003 for sales, other than inventory sales, of tangible personal property and real estate. The receipts from such sales are generally situated to Ohio in proportion to the purchaser's benefit, with respect to the sale, in Ohio, to the purchaser's benefit, with respect to the sale, everywhere.

Computation of Tax

Major adjustments to federal adjusted gross income and computation of Ohio income tax liability for individuals are shown in the following diagram (computation is for taxable year 2003).

FEDERAL ADJUSTED GROSS INCOME (FAGI)

Add (1)

1. State and local bond interest (except Ohio and its political subdivisions).
2. Federal bond interest exempt from federal tax, but subject to state tax.
3. Losses from sale of Ohio public obligations.
4. Nonmedical withdrawals from medical savings accounts.
5. Distributive income from an Electing Small Business Trust (ESBT) which, absent ESBT treatment, would otherwise qualify as a grantor trust if the income is not included in FAGI.

Subtract (1)

1. Federal bond interest to the extent included in FAGI.
2. Disability and survivor's benefits to the extent included in FAGI.
3. Compensation earned in Ohio by residents of reciprocity states.
4. Social Security and Railroad Retirement benefits to the extent included in FAGI.
5. State and municipal refunds to the extent included in FAGI.
6. Qualified expenses for long-term care insurance, medical insurance, and medical expenses in excess of 7.5 percent of FAGI.
7. Gains from sale of Ohio public obligations to the extent included in FAGI.

Note: (1) *These lists include only commonly used items.*

INDIVIDUAL INCOME TAX - STATE

OHIO ADJUSTED GROSS INCOME

Subtract

Personal Exemptions of \$1,250 each.

OHIO TAXABLE INCOME

Apply

Graduated rates of 0.743 to 7.5 percent for 2003.
(see **Rates** section)

TAX BEFORE CREDITS

Subtract

1. Personal exemption credit of \$20 per person.
2. Senior citizen credit of \$50.
3. Retirement income credit.
4. Child and dependent care credit.
5. Job training credit.
6. Political contribution credit.
7. Adoption credit.
8. Joint filer credit for two working spouses (graduated based on income with a maximum credit of \$650).
9. Various business credits.

OHIO PERSONAL INCOME TAX LIABILITY

Subtract

Credit for income earned in or taxed by another state.

OHIO NET PERSONAL INCOME TAX LIABILITY

SECTIONS OF OHIO REVISED CODE

Chapter 5747.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- | | |
|------|---|
| 1912 | • Constitutional amendment permitted income taxes. |
| 1971 | • Individual income tax enacted, effective for 1972. |
| 1972 | • Up to \$4,000 of retirement benefits exempted from adjusted gross income. |

INDIVIDUAL INCOME TAX - STATE

- Tax credit of \$25 per return for taxpayers over 65 years of age enacted.
- 1973
- Joint filer credit allowed on joint returns where both spouses earn at least \$500 of wage income.
- 1974
- \$3,000 personal exemption limitation removed.
- 1975
- Value of each exemption increased from \$500 to \$650.
- 1978
- Income tax credit created for home improvements.
- 1979
- Income tax credit enacted for installation of a solar, wind, or hydrothermal energy system (expired after tax year 1985).
- 1982
- Two new income tax brackets added above \$80,000 of taxable income for 1982 and 1983.
 - Temporary tax rate surcharge from 1981 tax rates of 25 percent for tax year 1982 and 12.5 percent for tax year 1983 enacted.
- 1983
- Two new brackets, enacted 1982, made permanent.
 - Provisions enacted allowing a taxpayer to claim for each \$650 personal exemption an additional \$350 exemption or \$20 credit.
 - Temporary tax rate surcharge increased to 83.3 percent in 1983 and to 90 percent in 1984 and made permanent.
 - Tax credit for taxpayers over 65 years of age increased to \$50.
 - Joint filer credit increased over two years.
 - \$4,000 retirement income deduction replaced by a sliding scale retirement income credit.
- 1984
- One-time special tax refund of 2.03 percent of tax year 1983 liability (minimum of \$7) enacted.
 - Title II Social Security and Tier I Railroad Retirement benefits exempt from taxation.
- 1985
- Rates reduced from 1984 level by 5.0 percent for 1985, an additional 5.0 percent for 1986, and an additional 5.0 percent (total of 15 percent) for 1987 and thereafter.

INDIVIDUAL INCOME TAX - STATE

- 1986
 - Maximum rate reduced to 6.9 percent; other rates reduced by 7.0 percent in 1987 and 8.0 percent in 1988 from rates enacted in 1985.
- 1987
 - Home improvement credit repealed.
- 1988
 - Income tax check-off for qualified political parties established.
 - Child care credit implemented.
- 1989
 - Accelerated employer withholding schedule implemented.
 - Tier II Railroad Retirement benefits exempted.
 - \$20 personal exemption allowed for all taxpayers.
 - Additional \$350 exemption eliminated.
 - Joint filer credit capped at \$650.
- 1990
 - Basis of the joint filer credit changed to Ohio adjusted gross income.
- 1991
 - Child care credit expanded beginning in 1993.
- 1992
 - Ninth income bracket above \$200,000 added to be taxed at 7.5 percent and to begin in 1993.
 - Job creation credit enacted.
 - Export credit enacted.
- 1993
 - Self-employed health care premiums made deductible.
- 1994
 - Displaced worker training credit enacted.
 - Investment tax credit enacted.
- 1995
 - Second investment tax credit enacted.
 - Personal exemption increased to \$750 per taxpayer and spouse and \$850 per dependent for 1996; these amounts increased to \$850 and \$1,050 in 1997.
 - Political contribution credit enacted.
- 1996
 - Statutory tax rates for 1996 temporarily reduced by 6.609 percent because of budget surplus. The surplus funds were deposited into the Income Tax Reduction Fund (ITRF) and used to offset revenue reductions resulting from reduced taxes.

INDIVIDUAL INCOME TAX - STATE

- Personal exemption for taxpayer and spouse increased to \$950 in 1998 and \$1,050 in 1999.
 - Statutory tax rates for 1997 temporarily reduced by 3.987 percent because of budget surplus.
- 1997
- Child care credit for taxpayers with under \$20,000 income increased to 100 percent of federal credit.
 - Employer credits for providing or subsidizing child care enacted.
 - Exemptions indexed for inflation beginning in 2000.
 - Tax on payments to certain nonresident shareholders of pass-through entities required to be withheld at source.
- 1998
- Statutory tax rates for 1998 temporarily reduced by 9.339 percent because of budget surplus.
- 1999
- Statutory tax rates for 1999 temporarily reduced by 3.627 percent because of budget surplus.
 - Deduction for medical expenses in excess of 7.5 percent of FAGI enacted.
 - Deduction for taxpayers ineligible for employer-provided medical plans enacted.
 - Deduction for long-term care insurance premiums enacted.
 - Credit (nonrefundable) for adoption-related expenses enacted.
 - Beginning 2001, tuition expense deduction for first two years of post-secondary education enacted.
- 2000
- Statutory tax rates for 2000 temporarily reduced by 6.929 percent because of budget surplus.
 - Deduction for contributions to the prepaid tuition and variable market tuition program enacted.
 - Addition for income from an ESBT that also meets the definition of a grantor trust required.
- 2002
- Trusts subjected to income tax for 2002-2004.
 - Bonus depreciation adjustment enacted.
- 2003
- Internal Revenue Code (I.R.C.) section 179 depreciation adjustment became effective.
 - Research and development loan repayment credit enacted.

INDIVIDUAL INCOME TAX - STATE

- Credit granted for losses on loans made to the Ohio Venture Capital Program.
- Computation changed of nonresident credit for individuals and estates; market-theory approach implemented for sales other than inventory sales of tangible personal property and real estate.
- Pre-need funeral trusts that are not-qualified funeral trusts exempted.
- Net operating loss carrybacks and carryforwards subjected to bonus depreciation adjustment and I.R.C. section 179 depreciation.
- Apportionment of trust income changed to include cost of performance in sales factor and exclude business rental income from property factor.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

Personal Exemptions⁽¹⁾

Married/

State/Rate⁽¹⁾

Single

Joint

Dependent

California⁽²⁾

1.0 percent tax on the first \$11,924 of taxable income, up to 9.3 percent on portion of income over \$78,266; the state also has tax tables, standard deductions, and personal exemption credits⁽²⁾, all indexed for inflation.

Florida

No income tax.

Illinois⁽³⁾

\$2,000

\$4,000

\$2,000

3.0 percent on taxable net income.

Indiana⁽³⁾

\$1,000

\$2,000

\$1,000

3.4 percent on adjusted gross income.

Notes: (1) The tax rate and exemptions are for tax year 2003 unless otherwise noted. For states with multiple schedules, the married filing joint rate is listed. (2) California credits for tax year 2003 are \$82 for single; \$82 married filing separately, and for head of household; \$164 for married filing jointly, and \$257 per dependent. (3) States with only one tax schedule.

INDIVIDUAL INCOME TAX - STATE

Kentucky(3)(4)

2.0 percent on first \$3,000 of taxable income, up to 6.0 percent on portion of income over \$8,000. The state also allows income tax credits(4) to be subtracted directly from tax liability.

Massachusetts(3) \$3,300 \$6,600 \$1,000

A rate of 5.3 percent on all business income, earned income, annuities, short term capital gains, interest, and dividends. Capital gains on assets held more than one year are taxed on a declining basis from 5.0 percent on capital gains on assets held two years or less, to zero percent tax on assets held more than six years.

Michigan(3) \$3,100 \$6,200 \$3,100

4.1 percent on taxable income.

New Jersey \$1,000 \$2,000 \$1,500

1.4 percent on first \$20,000 of taxable income, up to 6.37 percent on portion of income over \$150,000.

New York \$1,000 \$1,000 \$1,000

3.0 percent on first \$16,000 of taxable income, up to 6.85 percent on portion of income over \$40,000.

Ohio (3)(4) \$1,250(4) \$2,500(4) \$1,250(4)

0.743 percent on first \$5,000 of taxable income, up to 7.5 percent on portion of income over \$200,000. The state also allows income tax credits(4) to be subtracted directly from tax liability.

Pennsylvania(3) No exemptions.

2.8 percent on taxable income.

Texas No income tax.

West Virginia \$2,000 \$4,000 \$2,000

3.0 percent on first \$10,000 of taxable income, up to 6.5 percent on portion of income over \$60,000.

Notes: (3) States with only one tax schedule. (4) Kentucky and Ohio allow income tax credits to be subtracted directly from tax liability. The credits are \$20 for single, \$40 for joint and \$20 per dependent.

INSURANCE TAX – DOMESTIC

TAXPAYER

Insurance companies organized under Ohio law.

TAX BASE

The former tax base and calculation structure of the domestic insurance tax has been phased out. In 2002, taxpayers had to determine both the old and new tax bases. In 2003, the new base only became applicable.

Old base: Either capital and surplus, or gross premiums, whichever base yielded less tax.

New base: Gross premiums.

RATES

In 2002, an insurance company paid 20 percent of the tax calculated under the old base and rates, plus 80 percent of the tax calculated under the new base and rate. In 2003, only the new base and rate is applicable.

Old tax base rates: 0.6 percent of capital and surplus, or 2.5 percent of gross premiums, whichever yielded less tax.

New tax base rates: 1.4 percent of gross premiums.

The minimum tax increased in 2003 to \$250. In 2002, the minimum tax was \$200.

MAJOR EXEMPTIONS

Annuities, deposit-type life insurance contract funds, Medicaid, government-paid portion of Medicare, and federal crop insurance.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund
2000	\$88.2
2001	109.3
2002	132.5
2003	160.3

DISPOSITION OF REVENUE

General Revenue Fund.

INSURANCE TAX – DOMESTIC

PAYMENT DATES

The Director of the Department of Insurance certifies the tax liability of each insurance company to the 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.

Note: *Tax year is defined as the year in which the payments are filed. Payments are based upon the previous year's business activity.*

SPECIAL PROVISIONS/CREDITS

A tax credit for insurer groups with less than \$75 million in total countrywide premium sales was phased in from tax year 1999 to 2003 with a maximum credit of \$200,000 in year 2003. In 2002, the maximum credit allowed was \$160,000.

Members of the Ohio Life and Health Guaranty Association are subject to assessment by the association. (The association is organized not-for-profit under the Ohio Revised Code and is operated by a board of directors. Insurance companies are required to be members as a condition of transacting business in the state.) Should a member become impaired or insolvent, the other members are assessed at a rate not to exceed 2.0 percent of their gross premiums to protect policy holders of the impaired or insolvent insurers. A 100 percent tax credit is given to members on assessments paid to the association.

Domestic insurers that are health insurance corporations are taxed at the rate of 1.0 percent of all premium payments, exclusive of payments received by Medicare and Medicaid.

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

SECTIONS OF OHIO REVISED CODE

Sections 5725.18 to 5725.24 and 3737.71.

RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

HISTORY OF MAJOR CHANGES

- 1830 • 4.0 percent property tax on dividends paid by insurance companies.

INSURANCE TAX – DOMESTIC

- 1852 • Insurance companies required to list real property, tangible property, money, and credits for taxation.
- 1933 • Changed to a franchise tax on the smaller of either:
0.2 percent of capital and surplus.
1.67 percent on premiums.
- 1971 • Franchise tax rate changed to the smaller of either:
0.3 percent of capital and surplus.
2.5 percent on gross premiums.
- 1981 • Capital and surplus rate increased to 0.6 percent.
- 1989 • Established the Ohio Life and Health Guaranty Association and assessment; 100 percent tax credit for assessment paid by participating insurers.
- 1997 • Rate for domestic insurers reduced to 1.4 percent and phased in over tax years 1999 to 2002. Minimum tax of \$250 phased in over same period.
• Tax credit for insurer groups with less than \$50 million in countrywide premium sales phased in from tax year 1999 to 2002. The threshold was increased to \$75 million effective July 1, 1999.
• Capital and surplus tax base phased out over tax years 1999 through 2002. Beginning with tax year 2003, tax is solely on gross premiums.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

<u>State</u>	<u>Tax Rate</u> (1)
California	In general, 2.35 percent of gross premiums; federally exempt pensions and profit-sharing plans, 0.5 percent; ocean marine insurers, 5.0 percent; surplus line brokers and non-admitted insurance, 3.0 percent.

Note: (1) Other rates may apply to specific types of insurance and insurance providers.

INSURANCE TAX – DOMESTIC

Florida	Annuities 1.0 percent ⁽²⁾ ; wet marine and transportation 0.75 percent; commercial self-insurance fund, medical malpractice 1.6 percent; all others 1.75 percent of gross premiums.
Illinois	In general, 2.0 percent; surplus line 3.5 percent of gross premiums.
Indiana	Premiums taxed at 1.8 percent, or may elect to pay the gross income tax.
Kentucky	In general, 2.0 percent of gross premiums.
Massachusetts	Rate of 2.0 percent of taxable gross premiums, plus a surtax of 14 percent of the tax imposed.
Michigan	Single-business tax of 1.0735 percent in tax year 2003.
New Jersey	In general, 1.0 percent of gross premiums on group accident and health; all others 2.1 percent.
New York	Rate of 0.7 percent for all premiums received by corporations licensed as life and health insurers, including premiums on accident and health contracts; 1.3 percent for all premiums written by corporations licensed as property and casualty insurers; 1.0 percent for all premiums on accident and health contracts. ⁽³⁾
Ohio	Rate of 1.4 percent of gross premiums.

Notes: (2) Domestic insurers maintaining their home offices in Florida are exempt. (3) Insurance companies also pay New York corporate franchise tax.

INSURANCE TAX – DOMESTIC

Pennsylvania

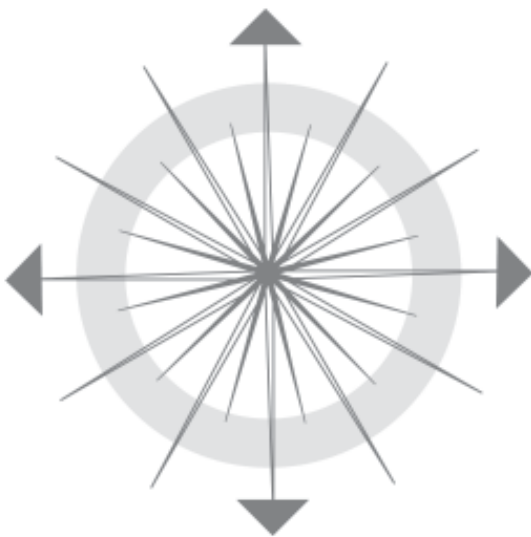
Rate of 2.0 percent of gross premiums.

Texas

Rates of 1.35 percent to 1.75 percent, depending on insurance product lines.

West Virginia

Rates of 4.0 percent for fire and casualty; 3.0 percent for others; annuities 1.0 percent.



INSURANCE TAX — FOREIGN

TAXPAYER

Insurance companies not organized under Ohio law.

TAX BASE

Gross amount of premiums from policies for Ohio risks during preceding calendar year less specified deductions.

RATE

The rate for foreign insurers has been reduced. In tax year 2003 and thereafter it is 1.40 percent. The minimum tax increased in 2003 to \$250; it was \$200 in 2002.

MAJOR EXEMPTIONS

Annuities, deposit-type life insurance contract funds, Medicaid, government-paid portion of Medicare, and federal crop insurance.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Other⁽¹⁾	Total
2000	\$252.3	\$7.9	\$260.2
2001	220.6	11.7	232.3
2002	214.3	15.9	230.2
2003	216.4	17.4	233.8

Note: (1) Includes Fire Marshal Fund and Attorney General Claims Fund.

DISPOSITION OF REVENUE

General Revenue Fund and Fire Marshal Fund.

PAYMENT DATES

October 15:	Advance payment of ½ of previous year's tax.
March 1:	Payment of balance of previous year's tax.
June 15:	Final payment or refund.

Note: Tax year is the year in which the payments are filed. Payments are based upon the previous year's business activity.

INSURANCE TAX — FOREIGN

SPECIAL PROVISIONS/CREDITS

A tax credit for insurer groups with less than \$75 million in total countrywide premium sales was phased in from tax year 1999 to 2003, with a maximum credit of \$200,000 in 2003. In 2002, the maximum credit allowed was \$160,000.

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

Foreign insurers that are health insurance corporations are taxed at the rate of 1.0 percent of all premium payments, excluding payments received under Medicare and Medicaid.

SECTIONS OF OHIO REVISED CODE

Chapter 5729 and section 3737.1.

RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

HISTORY OF MAJOR CHANGES

- | | |
|------|---|
| 1830 | • 4.0 percent tax on profits from premiums (minimum tax of \$50). |
| 1852 | • Value of gross premiums subject to property tax. |
| 1888 | • Supplemental tax on gross premiums that, when added to the property tax, would equal 2.5 percent of gross premiums. |
| 1902 | • Direct 2.5 percent tax on gross premiums. |
| 1997 | <ul style="list-style-type: none">• Tax rate for foreign insurers is 1.40 percent for tax year 2003 and thereafter. A minimum tax of \$250 is in effect for tax year 2003 and thereafter. In tax year 2002 the minimum tax was \$200.• Tax credit for insurer groups with less than \$50 million in countrywide premium sales to be phased in from tax year 1999 to 2003. After July 1, 1999, the threshold was increased to \$75 million. |

INSURANCE TAX — FOREIGN

COMPARISONS WITH OTHER STATES (AS OF 12/03)

<u>State</u>	<u>Tax Rate</u> (1)
California	Foreign insurers subject to retaliatory provisions.
Florida	Foreign insurers, other than those maintaining a regional office in Florida, subject to retaliatory provisions.
Illinois	Foreign insurers subject to retaliatory provisions.
Indiana	Foreign insurers subject to retaliatory provisions.
Kentucky	Foreign insurers pay 1.7 percent of premiums received.
Massachusetts	Foreign insurers pay 2.0 percent plus surtax of 14 percent of the tax imposed. The 14 percent surtax does not apply if the foreign insurers are subject to the retaliatory provisions.
Michigan	Foreign insurers pay the greater of the retaliatory tax or the single business tax.
New Jersey	Foreign insurers are subject to retaliatory provisions.
New York	Foreign insurers are subject to retaliatory provisions.

Note: (1) 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.

INSURANCE TAX — FOREIGN

Ohio

Foreign insurers are subject to retaliatory provisions. In tax year 2003 the rate became 1.40 percent of premiums if the retaliatory provisions do not apply. In 2002, the rate was 1.62 percent.

Pennsylvania

Foreign insurers are subject to retaliatory provisions.

Texas

Foreign insurers are subject to retaliatory provisions. Reciprocal insurers that do not elect to be taxed under provisions applicable to title, life, and accident and health insurers are taxed at 1.7 percent of gross premiums.

West Virginia

Foreign insurers are subject to retaliatory provisions.



KILOWATT-HOUR TAX

The kilowatt-hour tax was enacted by Amended Substitute Senate Bill 3 (123rd General Assembly) as part of electric utility deregulation. Effective May 1, 2001, this tax replaced the public utility excise tax on electric companies and the tax losses from reduction in electric utility personal property tax assessment rates.

TAXPAYER

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 distributed to end users in Ohio.

1. For end users at or below 45 million kilowatt hours in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
2. For end users above 45 million kilowatt hours 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.

RATE

1. Electric distribution companies pay at rates based on the monthly consumption by end users, using the following schedule.

Monthly Kilowatt Hours Distributed to the End User			Rate Per Kilowatt Hour
0 —	2,000	kilowatt hours	\$0.00465
2,001 —	15,000	kilowatt hours	0.00419
Over	15,001	kilowatt hours	0.00363

2. For consumers (end users), above 45 million kilowatt hours in annual consumption, there is an option to self-assess the tax. This self-assessor tax is calculated as the sum of 4.0 percent of price plus \$0.00075 on the first 504 million kilowatt hours of annual consumption.

MAJOR EXEMPTIONS

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

KILOWATT-HOUR TAX

REVENUE (IN MILLIONS)

Fiscal Year	State Gen. Rev. Fund	School District Prop. Tax Repl. Fund	Local Gov't. Prop. Tax Repl. Fund	Total
2001(1)	\$24.0(2)	\$9.8	\$4.2	\$38.0
2002	323.3(3)	132.7	57.2	513.2
2003	339.9(3)	137.0	62.6	539.5

Notes: (1) Reflects only one month of revenue. (2) FY 2001 revenue includes the following: \$22.8 million to the General Revenue Fund, \$1.0 million to the Local Government Fund, and \$0.2 million to the Local Government Revenue Assistance Fund. (3) All state revenue payments were made to the General Revenue Fund.

DISPOSITION OF REVENUE

The General Revenue Fund receives 59.976 percent, School District Property Tax Replacement Fund receives 25.9 percent, Local Government Fund receives 2.646 percent, Local Government Property Tax Replacement Fund receives 11.1 percent, and the Local Government Revenue Assistance Fund receives 0.378 percent of kilowatt hour tax revenue. A fee of \$500 is levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

Effective June 2, 2002, the School District Property Tax Replacement Fund receives 25.4 percent and the Local Government Property Tax Replacement Fund receives 11.6 percent. For fiscal years 2002 and 2003, there were no distributions to the Local Government Fund and Local Government Revenue Assistance Fund due to a “freeze” on those funds. The General Revenue Fund received 63 percent of revenue in those two fiscal years. This “freeze” on local government funds is continued in FY 2004. See **Disposition of Revenue** in the **INDIVIDUAL INCOME TAX** section for information on the semi-annual reduction of the Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund deposits.

PAYMENT DATE

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.

KILOWATT-HOUR TAX

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
 - Enacted with an effective date of May 1, 2001.
- 2000
 - Lowered the self-assessor tax threshold from 120 million kilowatt hours of annual consumption to 45 million kilowatt hours.
 - Capped the consumption portion of the self-assessor tax formula at 504 kilowatt hours of annual consumption.
 - Provided that “qualified end users” will remit the tax (either kilowatt-hour or self-assessor option if so qualified) on the non-qualified portion of their electric consumption.
 - Provided for an exemption for “qualified regeneration” facilities.
 - Allowed businesses to declare that they will have enough electricity consumption in the upcoming year so they may self-assess. Provided for a “recapture” tax if the taxpayer fails to meet the self-assessor threshold.
 - If a self-assessor is served by a municipal electric company and is within the municipal boundary, required the taxpayer to remit the self-assessor tax to the municipality.
 - Clarified rules pertaining to self-assessors.
- 2002
 - Effective June 2, 2002, the School District Property Tax Replacement Fund’s share was reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund’s share was increased from 11.1 percent to 11.6 percent.

KILOWATT-HOUR TAX

- 2003
- Effective July 1, 2003, no revenue from the tax through June 30, 2005 will be credited to the Local Government Fund or the Local Government Revenue Assistance Fund. Such amounts will be credited to the General Revenue Fund.

COMPARISONS WITH OTHER STATES (AS OF 01/04)

California

\$0.0002 per kilowatt hour of electricity consumed.

Florida

2.5 percent of gross receipts.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from \$0.00202 to \$0.0033, on consumption or 5.1 percent of the purchase price for self-assessors.

Indiana, Kentucky, Massachusetts, and Michigan

In general, public utilities pay a normal tax or fee on gross receipts strictly for the support of the state's regulatory agency. Electric companies may be subject to general business taxes.

New Jersey

Electric companies subject to corporate business taxes.

New York

Electric companies are subject to corporate business taxes and a public utility excise tax. For electric companies subject to regulation, the excise tax for 2002 was 2.25 percent on electric service receipts.

Ohio

Electric distribution companies pay on a declining block rate per kilowatt hour distributed to the end user. Large consumers, with at least 45 million kilowatt hours in annual consumption, pay the sum of 4.0 percent of the price plus 0.75 million on the first 504 million kilowatt hours of annual consumption.

Pennsylvania

Total rate of 5.9 percent on gross receipts is composed of a 4.4 percent base levy and a 1.5 percent revenue reconciliation tax.

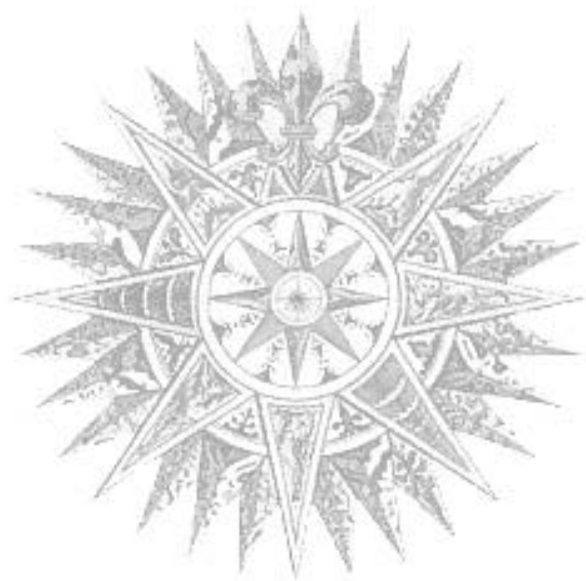
KILOWATT-HOUR TAX

Texas

Electric utilities pay rates ranging from 0.581 percent to 1.997 percent of gross receipts, depending upon population of the town in which the utility operates. Electric utilities operating a nuclear facility pay a 5.0 percent surcharge on the gross receipts tax.

West Virginia

General rate variable, depending upon usage. Power sold but not produced in West Virginia is taxed at a rate of \$0.0019 per kilowatt hour used.



MOTOR VEHICLE FUEL TAX

TAXPAYER

Dealers (wholesalers and refiners) who distribute fuel in Ohio.

TAX BASE

Gallons of gasoline, diesel fuel, and special fuels sold in Ohio.

RATE

Effective July 1, 2003, increased from 22 cents to 24 cents per gallon and is scheduled to increase to 26 cents per gallon effective July 1, 2004.

MAJOR EXEMPTIONS

Refunds, credits, and deductions for the following:

- Purchasers who did not use the fuel to operate a vehicle on a highway or waterway in Ohio.
- Distributors and retailers for fuel lost through shrinkage, evaporation, and leakage.
- Local transit authorities for all but one cent per gallon on fuel consumed in transit buses.
- School districts, joint vocational schools, and educational service centers on the tax over 22 cents per gallon.

REVENUE (IN MILLIONS)

Fiscal Year	Total
2000	\$1,404.9
2001	1,307.3
2002	1,383.3
2003	1,456.1

DISPOSITION OF REVENUE

The following items receive the revenue first:

- Monthly \$100,000 allocation to the Grade Crossing Fund.
- Monthly distribution to the Ohio Turnpike Commission equal to five cents on each gallon of fuel sold at stations operated by 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.

MOTOR VEHICLE FUEL TAX

Of the remaining revenue, the equivalent of one cent of the 24 cents per gallon tax rate is allocated to the Local Transportation Improvement Program Fund.

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

- 71.8 percent to the State of Ohio;
- 12.1 percent to municipal corporations;
- 10.5 percent to counties; and
- 5.6 percent to townships.

PAYMENT DATES

By the last day of each month for the preceding month's tax liability.

SPECIAL PROVISIONS/CREDITS

The total tax rate in effect from July 1, 2003 to June 30, 2004 includes one levy of four cents (increased from two cents effective July 1, 2003); two levies of two cents each; one levy of one cent; and a cents per gallon rate of 15 cents. The current 15 cents per gallon tax levy was enacted at a variable rate, based on the consumer price index and net gallons of taxable fuel in each of the two years previous to the year of the rate calculation. Effective July 1, 1993, the rate was calculated to be 15 cents per gallon, and the variable rate formula lapsed thereafter.

SECTIONS OF OHIO REVISED CODE

Chapter 5735.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

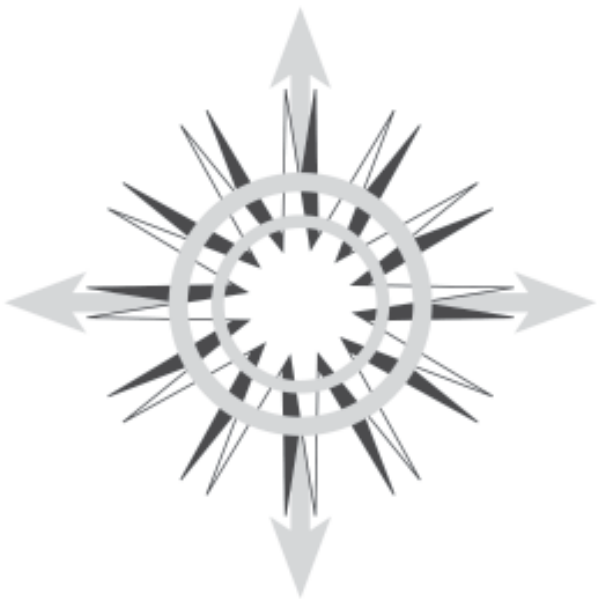


MOTOR VEHICLE FUEL TAX

HISTORY OF MAJOR CHANGES

Year	Change	Total Tax After Change
1925	• 2.0 cents per gallon tax enacted	2.0 cents
1927	• 1.0 cent per gallon increase	3.0 cents
1929	• 1.0 cent per gallon increase	4.0 cents
1933	• 1.0 cent per gallon reduction	3.0 cents
1947	• 1.0 cent per gallon increase	4.0 cents
1953	• 1.0 cent per gallon increase	5.0 cents
1959	• 2.0 cents per gallon increase	7.0 cents
1981	• 3.3 cents per gallon increase	10.3 cents
1982	• 1.4 cents per gallon increase	11.7 cents
1983	• 0.3 cents per gallon increase	12.0 cents
1987	• 2.7 cents per gallon increase	14.7 cents
1988	• 0.1 cent per gallon increase	14.8 cents
1989	• 3.2 cents per gallon increase	18.0 cents
1990	• 2.0 cents per gallon increase	20.0 cents
1991	• 1.0 cent per gallon increase	21.0 cents
1993	• 1.0 cent per gallon increase	22.0 cents
2003	• 2.0 cents per gallon increase	24.0 cents
2004 (1)	• 2.0 cents per gallon increase	26.0 cents

Note: (1) This increase is scheduled to take effect July 1, 2004.



MOTOR VEHICLE FUEL TAX

COMPARISONS WITH OTHER STATES (AS OF 1/04)

(Motor vehicle fuel tax rates shown in this table do not reflect the application of a state sales tax - where applicable - or local permissive variable motor vehicle fuel taxes.)

	Tax Rate (cents per gallon)		Sales Tax Applicable
	Gasoline	Diesel Fuel	
California(1)	18.00	18.00	Yes
Florida(2)	24.00	27.00	Yes
Illinois(3)	26.90	29.60	Yes
Indiana(4)	18.00	16.00	Yes
Kentucky(5)	16.40	13.40	No
Massachusetts	21.00	21.00	No
Michigan(6)	19.00	15.00	Yes
New Jersey(7)	14.50	17.50	No
New York(8)	22.60	20.85	Yes
Ohio(9)	24.00	24.00	No
Pennsylvania(10)	26.20	31.20	No
Texas	20.00	20.00	No
West Virginia(11)	20.50	20.50	Yes

Source: Commerce Clearing House, International Fuel Tax Administration, and state revenue departments. All rates as of January 1, 2004.

Notes: (1) Sales tax rate on the sale of gasoline is 5.75 percent. (2) Total rate shown composed of two levies: state taxes of 14.3 cents and mandatory local levy of 9.7 cents. Sales tax rate on the sale of gasoline is 6.0 percent. (3) Data from Illinois Revenue Department. Sales tax rate on the sale of gasoline is 6.25 percent. The following local motor fuel tax rates have not been included in the gasoline rate for comparison: Chicago, 5.0 cents; Cook County, 6.0 cents; Kane County, 2.0 cents; and McHenry County, 2.0 cents. (4) Sales tax rate on the sale of gasoline is 5.0 percent. (5) Data according to the State of Kentucky. (6) Data according to the State of Michigan. Sales tax rate on the sale of gasoline is 6.0 percent. (7) Rate includes a 4.0 cents per gallon petroleum products excise tax (gasoline, \$0.146 per gallon; diesel, \$0.1285 per gallon) levied on the sale of gasoline and diesel fuel. (8) Rate for gasoline and diesel fuel includes an embedded 8.0 cents per gallon excise tax and the petroleum business excise tax. Sales tax rate on the sale of gasoline is 4.0 percent. (9) Motor vehicle fuel tax rate is scheduled to increase by 2.0 cents, from 24 to 26 cents, on July 1, 2004. (10) The gasoline and diesel fuel tax rates include a permanent 12.0 cents per gallon excise tax and an oil company franchise tax. (11) Sales tax rate on the sale of gasoline is 4.85 percent.

MOTOR VEHICLE FUEL USE TAX

TAXPAYER

Fuel use tax permit holders.

TAX BASE

Fuel used on Ohio highways by tractor-trailer combinations, trucks with three axles or more, and two-axle trucks pulling a trailer with a gross vehicle weight over 26,000 pounds.

Taxpayers must pay tax on the amount by which the fuel consumed in Ohio exceeds the fuel purchased in Ohio. In addition, a surtax is paid on all fuel consumed in Ohio.

RATE

Effective July 1, 2003, the rate increased from 22 cents per gallon plus a three cents per gallon surtax to 24 cents per gallon plus a three cents per gallon surtax. Effective July 1, 2004, the tax will increase to 26 cents and the surtax will be reduced to two cents per gallon.

MAJOR EXEMPTIONS

Vehicles owned and operated by the federal government, the State of Ohio, and its political subdivisions.

REVENUE (IN MILLIONS)

Fiscal	
<u>Year</u>	<u>Total</u>
2000	\$66.9
2001	75.3
2002	69.4
2003	71.4

DISPOSITION OF REVENUE

Highway bond retirement funds for as long as needed and then to the Highway Operating Fund.

PAYMENT DATES

Reports and payments are filed quarterly by January 31, April 30, July 31, and October 31 for the liability for the previous three months, or annually by July 31 for the liability for the previous 12 months.

SPECIAL PROVISIONS/CREDITS

None.

MOTOR VEHICLE FUEL USE TAX

SECTIONS OF OHIO REVISED CODE

Chapter 5728.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1981 • Tax became effective July 1.
- 1991 • Three cents per gallon surtax became effective.
- 1995 • Ohio joined International Fuel Tax Agreement (IFTA).
- 2003 • Tax rate increased by two cents per gallon, from 22 to 24 cents, effective July 1. It is scheduled to be increased by two cents per gallon, from 24 to 26 cents, effective July 1, 2004.
- Reduction to surcharge tax rate enacted. It is due to be reduced by one cent per gallon, from three cents to two cents, effective July 1, 2004.



MOTOR VEHICLE FUEL USE TAX

COMPARISONS WITH OTHER STATES (AS OF 01/04)

<u>State</u>	Tax Rate (cents per gallon)		Sales Tax Applicable
	<u>Gasoline</u>	<u>Diesel</u>	
California(1)	—	26.30	Yes
Florida(2)	19.37	29.07	Yes
Illinois(3)	26.90	29.60	Yes
Indiana(4)	29.00	27.00	Yes
Kentucky(5)	17.20	17.20	No
Massachusetts	21.00	21.00	No
Michigan(6)	—	22.50	Yes
New Jersey	14.50	17.50	No
New York(7)	33.10	31.15	Yes
Ohio(8)	27.00	27.00	No
Pennsylvania	26.20	31.20	No
Texas	20.00	20.00	No
West Virginia(9)	20.50	20.50	Yes

Source: International Fuel Tax Administration (IFTA) and state revenue departments. All data current as of January 1, 2004.

Notes: (1) Gasoline is not applicable. The applicable sales tax rate on the sale of gasoline is 5.75 percent. (2) The applicable sales tax rate on the sale of gasoline is 6.0 percent. (3) Data from the Illinois Revenue Department. Rate shown includes a variable state tax that was changed on January 1, 2004. The applicable sales tax rate on the sale of gasoline is 6.25 percent. (4) Rate shown includes a surcharge of 11 cents per gallon. The applicable sales tax rate on the sale of gasoline is 5.0 percent. (5) Rate shown includes a surcharge of 2.2 cents per gallon for gasoline and 5.2 cents per gallon for diesel. (6) According to the Michigan Revenue Department, gasoline is not applicable. Rate shown includes a surcharge of 12 cents per gallon for diesel. The applicable sales tax rate on the sale of gasoline is 6.0 percent. (7) The applicable sales tax rate on the sale of gasoline is 4.0 percent. (8) Rate shown includes a surcharge of three cents per gallon. This rate is scheduled to be reduced by one cent, from 3.0 to 2.0 cents, effective July 1, 2004. (9) The applicable sales tax rate on the sale of gasoline is 4.85 percent.

MOTOR VEHICLE LICENSE TAX

TAXPAYER

Operators of motor vehicles on the public roads or highways.

TAX BASE

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 listed are for a 12-month period. Registrations for partial years are prorated. The rates reflect an \$11 increase enacted in 2003. This increase replaces gas tax revenue transferred from the Ohio Highway Patrol and administration of the Department of Public Safety to the Ohio Department of Transportation for distribution to counties, municipalities, and townships.

Passenger cars	\$31
Motorcycles	25
House trailers, travel trailers	21
Transit buses	23
Non-commercial trucks (no more than $\frac{3}{4}$ ton) and motor homes	46
Non-commercial trucks (more than $\frac{3}{4}$ ton and less than 1 ton)	81
Commercial trailers, semi-trailers	36

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 tax is \$45. For vehicles with a gross weight between 78,001 lbs. and 80,000 lbs., the tax is \$1,340 plus the \$11 fee increase.

Non-commercial trailers:

Rates vary between several weight classes depending on the gross weight of the vehicle. For example, for vehicles with a gross weight of no more than 3,000 lbs., the tax ranges from \$5 to \$31 plus the \$11 fee increase.

Motor 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 tax is \$10. For vehicles with a gross weight between 78,001 and 80,000 lbs., the tax is \$1,630 plus the \$11 fee increase.

MOTOR VEHICLE LICENSE TAX

Farm Trucks:

Rates vary between several weight classes depending on the unladen vehicle weight. For example, for vehicles with an unladen weight under 3,001 lbs., the tax is \$5 plus \$0.50 per 100 lbs. For vehicles over 10,001 lbs. unladen weight, the tax is \$125 plus \$2.25 per 100 lbs. plus the \$11 fee increase.

Notes: *The registration fees shown above include the additional \$11 fee increase for registrations that expired on or after October 1, 2003, and do not include permissive (local) taxes which vary based on the taxing district of the customer. Permissive tax cannot exceed \$20 per vehicle and may be prorated, by law, by 50 percent, if registering for less than six months.*

MAJOR EXEMPTIONS

Vehicles owned and operated by the federal or state government or by political subdivisions of the State of Ohio.

Publicly-owned school buses used for transporting public school pupils; 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 owner becomes an Ohio resident.

Historical Registrations — vehicles more than 25 years old.

REVENUE (IN MILLIONS)

Fiscal	
<u>Year</u>	<u>Total</u>
2000	\$661.4
2001	656.9
2002	670.2
2003	673.3

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 26,000 lbs. or more. After any bond retirement obligations are met and payment is made to an administration fund for the tax, the remaining revenues are distributed as follows:

MOTOR VEHICLE LICENSE TAX

- 34 percent to municipal corporation or county of registration;
- 47 percent to county in which vehicle owner resides;
- 9.0 percent to counties in the ratio of the number of miles of county roads to the state total;
- 5.0 percent to townships in the ratio of the number of miles of township roads to the state total; and
- 5.0 percent divided equally among counties.

PAYMENT DATES

Commercial vehicles: March 1 - May 31.

Passenger cars and noncommercial vehicles are required to be registered annually by the owner's birthdate.

SPECIAL PROVISIONS/CREDITS

Several sections of the Ohio Revised Code give counties, municipalities and townships the option to enact an additional \$5.00 per vehicle local permissive tax levy. In 2003, counties had the authority to enact three different levies. Municipalities could enact four different levies, and townships had the authority to enact one levy.

The total permissive tax levy, however, cannot exceed \$20 per district (the combination of all county, municipal and township levies).

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. If owned and situated in Ohio prior to January 1, 2000, owners of property may elect to be taxed under the manufactured home tax or surrender title and be taxed like real property. If owned and situated in Ohio after January 1, 2000, manufactured homes and existing mobile homes are treated like real property.

SECTIONS OF OHIO REVISED CODE

Chapters 4501, 4503 and 4504.

RESPONSIBILITY FOR ADMINISTRATION

The Registrar of the Bureau of Motor Vehicles is the primary administrator; the county auditor and one or more persons in each county are designated by the Registrar to act as deputy registrars.

MOTOR VEHICLE LICENSE TAX

HISTORY OF MAJOR CHANGES

- 1906 • Registration fee of \$5 for all gasoline or steam motor vehicles enacted.
- 1920 • Separate license taxes for motorcycles, passenger cars, and commercial vehicles enacted.
- 1925 • Graduated rate schedule for commercial vehicles enacted.
- 1932 • Rates increased for motorcycles, passenger cars, and commercial vehicles; method of revenue distribution amended.
- 1937 • Rate schedule on farm trucks enacted.
- 1948 • Passenger car levy increased to \$10.
- 1949 • Separate levy on house trailers enacted.
- 1951 • Separate graduated rate schedule on motor buses enacted; levy on commercial vehicles increased.
- 1953 • Department of Highway Safety (containing the Bureau of Motor Vehicles) created; current method of revenue distribution enacted.
- 1957 • Separate levy on transit buses enacted.
- 1967 • Counties and municipalities permitted to levy \$5 permissive license tax.
- 1980 • Permissive authority given to Bureau of Motor Vehicles to have registration by mail.
 - Rates on passenger cars, motorcycles, house and travel trailers doubled; rates on all other vehicles increased.
- 1987 • Additional authority given to counties, municipalities.
- 1988 • Registration according to owner's birthdate enacted.
 - Bureau of Motor Vehicles required to begin mail registration.

MOTOR VEHICLE LICENSE TAX

- 1989 • Legislation enacted which converted the fee structure of commercial vehicle registrations from unladen weight to gross vehicle weight as of June, 1991.
- 1996 • Seven-digit plate issued to provide more combinations.
- 2000 • Oplates.com — Ohio's online registration program — began.
- 2001 • Bicentennial plates issued to commemorate 200th anniversary of Ohio's statehood.
- 2002 • Phased-in increases of operational fees paid to deputy registrars goes from \$2.25 to \$2.75 in 2001, and to \$3.25 in 2003.
- 2003 • Registration fees increased by \$11 to compensate for revenue transferred from the Ohio Highway Patrol and the Department of Public Safety to the Department of Transportation for distribution to counties, municipalities, and townships.

COMPARISONS WITH OTHER STATES (AS OF 12/03) (1)

<u>State</u>	<u>Passenger Cars</u>	<u>Commercial Vehicles</u>
California	\$45.60, plus 2.0 percent of market value. Applies to all California registrations.	\$1,173
Florida	\$27.60 - \$45.60, depending on weight.	\$695
Illinois	\$78	\$1,970
Indiana	\$20.75 plus an excise tax of \$12 - \$532, based on selling price when new and age of vehicle.	\$820

Note: (1) Comparisons based on a truck of 60,000 lbs. gross weight. Estimate of fees does not consider additional variable fees legislated by state and local governments, as well as miscellaneous state and/or local exemptions that might increase the fee charged.

MOTOR VEHICLE LICENSE TAX

Kentucky	\$11.50	\$1,007
Massachusetts	\$30 one-time fee, plus excise tax of \$25 per \$1,000 of value based on age of vehicle.	\$900
Michigan	Pre-1984 models, \$29 to \$95 based on weight up to 10,000 lbs., 90 cents per 100 lbs. for vehicles weighing over 10,000 lbs. Post-1984 models, tax ranges from \$30 - \$148 (dependent on price) or 0.5 percent of list price.	\$1,268
New Jersey	\$32.50 - \$81.00, based on weight and model year.	\$955
New York	Variable based on weight: Under 3,500 lbs. = \$22.50 1,650 lbs. and above = \$22.50, plus 97 cents per every 100 lbs. over 3,500 lbs.	\$931
Ohio	\$31	\$866
Pennsylvania	\$36	\$999
Texas	\$40.50 - \$58.50 based on model year for vehicles weighing 100 lbs. up to 6,000 lbs. \$25 plus 90 cents per 100 lbs. for vehicles weighing over 6,000 lbs.	\$594
West Virginia	\$30	\$816



NATURAL GAS CONSUMPTION TAX

The natural gas consumption tax was enacted as a result of Amended Substitute Senate Bill 287 (123rd General Assembly, effective July 1, 2001) as part of tax reform of the natural gas industry. It was designed to replace the tax losses from a reduction in natural gas utility personal property tax assessment rates.

TAXPAYER

Natural gas distribution companies.

TAX BASE

Amount of natural gas distributed to an end user.

RATES

The natural gas consumption tax (the Mcf tax) is based on a tier schedule as follows:

Mcf Distributed to an End User	Rate per Mcf⁽¹⁾
For the first 100 Mcf per month	\$.1593
For the next 101 to 2,000 Mcf per month	.0877
For 2,001 and above Mcf per month	.0411
Flex customer	.0200

Note: (1) "Mcf" means 1,000 cubic feet.

MAJOR EXEMPTIONS

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

REVENUE (IN MILLIONS)

This tax began July 1, 2001. Only nine months' collections occurred in FY 2002.

Fiscal Year	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	Total
2002	\$39.2	\$16.8	\$56.0
2003	57.5	26.2	83.7

DISPOSITION OF REVENUE

School District Property Tax Replacement Fund receives 68.7 percent. Local Government Property Tax Replacement Fund receives 31.3 percent.

NATURAL GAS CONSUMPTION TAX

PAYMENT DATES

The natural gas consumption tax (the Mcf tax) payments are due by November 20, February 20, May 20, and August 20. The first payment was due on November 20, 2001 for Mcf consumption from July through September, 2001.

SPECIAL PROVISIONS/CREDITS

Large commercial and industrial consumers of natural gas are taxed at a flat rate of 0.02 cent(s) per Mcf. These consumers are considered flex customers and have made a special purchase agreement with a natural gas distribution company. Natural gas distribution companies are responsible for collection and remission of the tax from flex customers.

SECTION OF OHIO REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- | | |
|------|--|
| 2000 | <ul style="list-style-type: none">• Enacted.• Natural gas consumption tax receipts will remain as revenue in the tax base of the public utility excise tax. |
| 2002 | <ul style="list-style-type: none">• Distribution to School District Property Tax Replacement Fund reduced from 70 percent to 68.7 percent, and distribution to Local Government Property Tax Replacement Fund increased from 30 percent to 31.3 percent. |

COMPARISONS WITH OTHER STATES (AS OF 01/04)

California

Tax rate is variable and is set each year by the State Board of Equalization. The default territory rate charged for calendar year 2004 ranges from 0.00916 to 0.02090 cent(s) per therm.

Illinois

Gas companies pay 2.4 cents per therm sold to customers or 5.0 percent of gross receipts, whichever is less.

New Jersey

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities.

NATURAL GAS CONSUMPTION TAX

Ohio

Gas companies pay a consumption-based natural gas consumption tax (the Mcf tax) on the amount of cubic feet of natural gas distributed to consumers based on a tiered Mcf rate schedule.

Florida, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, Texas, and West Virginia do not have a consumption-based tax on natural gas.



PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

Substitute House Bill 215 (122nd General Assembly) enacted a method for the collection of tax on the distributive shares of income earned by qualifying investors from their investment in any qualifying pass-through entity doing business in Ohio. The tax became effective in 1998. The pass-through entity tax is not so much a separate tax, but rather a mechanism designed to collect individual income tax or corporation franchise tax which, pursuant to Ohio tax law, is otherwise due and payable by pass-through entity investors.

TAXPAYER

Qualifying pass-through entities.

TAX BASE

The sum of the “adjusted qualifying amounts” of a qualifying pass-through entity’s qualifying investors. A pass-through entity is an S corporation, partnership, or a limited liability company treated as a partnership for federal income tax purposes. (Many pass-through entities are not subject to the tax; see **Major Exemptions**). The “adjusted qualifying amount” is the net sum of the qualifying investor’s distributive share of the pass-through entity’s income, gain, expense, and loss apportioned to Ohio.

RATES

5.0 percent withholding tax on the adjusted qualifying amount of qualifying investors who are individuals.

8.5 percent entity tax on the adjusted qualifying amount of qualifying investors that are not individuals.

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

MAJOR EXEMPTIONS

Pass-through entities not subject to tax include (but are not limited to) the following:

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

A qualifying investor does not include the following:

- Individuals who are residents of Ohio for the entire year.
- Nonresident individuals on whose behalf the qualifying pass-through entity files Ohio Form IT-4708, “Annual Composite Income Tax Return for Investors in Pass-Through Entities.”

PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

- Investors that are “investment pass-through entities.”
- Investors that are corporation franchise taxpayers if all investors in the qualifying pass-through entity are corporation franchise taxpayers.

(This is not a complete listing; there are many other types of investors not included in the definition of “qualifying investor.”)

REVENUE (IN MILLIONS)

5.0 percent withholding tax (1)(2):

Fiscal Year	Total Tax
2000	\$38.8
2001	39.7
2002	31.4
2003	35.6

8.5 percent entity tax (1)(3):

Fiscal Year	Total Tax
2000	\$6.6
2001	4.2
2002	3.7
2003	5.1

7.5 percent composite income tax (2)(4) of nonresident investors in pass-through entities (Form IT-4708):

Fiscal Year	Total Tax
2000	\$53.1
2001	62.4
2002	49.4
2003	67.3

Notes: (1) These figures represent 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 2002 was predominantly paid during FY 2003, so the tax year 2002 tax liability data is reported as FY 2003 revenue in this table. (2) This revenue is counted as individual income tax. (3) This revenue is counted as corporation franchise tax. (4) Although the statutory rate is 7.5 percent, the rate in tax years 1999 and 2000 was reduced under legislation requiring the return of excess state revenue to taxpayers. The statutory rate was restored in tax years 2001 and 2002.

PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

DISPOSITION OF REVENUE

5.0 percent withholding tax revenue:

89.5 percent to the General Revenue Fund, 5.7 percent to the Library and Local Government Support Fund, 4.2 percent to the Local Government Fund, and 0.6 percent to the Local Government Revenue Assistance Fund.

8.5 percent entity tax revenue:

95.2 percent to the General Revenue Fund, 4.2 percent to the Local Government Fund, and 0.6 percent to the Local Government Revenue Assistance Fund.

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 taxpayer's taxable year. For taxpayers with a January 1- December 31 taxable year, payments are due on April 15, July 15, October 15, and January 15.

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 January 1- December 31 taxable year, the return is due on April 15. If the entity has an extension of time to file its federal tax return, the qualifying pass-through entity has the same extension to file the pass-through entity tax return. However, there is no extension of time to pay.

SPECIAL PROVISIONS/CREDITS

A refundable tax credit may be claimed by qualifying individual investors in a pass-through entity against their Ohio individual income tax based upon the investor's proportionate share of the 5.0 percent withholding tax and 8.5 percent entity tax, if any.

A nonrefundable tax credit may be claimed by qualifying non-individual (corporate) investors against their Ohio corporation franchise tax, based upon the investing corporation's proportionate share of the 8.5 percent entity tax.

Qualifying trusts are also subject to tax.

PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

The 8.5 percent 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"), as long as certain conditions are met.

If, for federal income tax purposes, the investor deducts the investor's proportionate share of the 5.0 percent withholding tax or the 8.5 percent entity tax, the investor must add back such tax on the Ohio individual income tax return or corporation franchise tax report.

SECTIONS OF THE REVISED CODE

Chapters 5733 and 5747.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1998
 - Tax became effective at a rate of 5.0 percent on individual qualifying investors and 8.5 percent on non-individual qualifying investors.
 - Certain pass-through entities that are part of multi-tier structures exempted from tax.
 - Investment pass-through entities exempted from tax on investment income.
- 2001
 - If net management fees exceed 5.0 percent of an investment pass-through entity's net income, such fees are subjected to tax.
- 2002
 - Required a corporation that is a partner in a partnership or is a member of a Limited Liability Company (LLC) to add back 5/6 of the corporation's share of the bonus depreciation deduction passed through from the entity to the corporation.
 - Definition of "business income" amended to include gains and/or losses from partial or complete liquidation of a business, including, but not limited to, the gain or loss from the disposition of goodwill.
 - Distributive shares expanded to include the sum

PASS-THROUGH ENTITY AND TRUST WITHHOLDING TAX

of the income, gain, expense, or loss of a disregarded entity.

- 2003
- Required a corporation that is a partner in a partnership or is a member of an LLC to add back 5/6 of the corporation's share of "qualified Internal Revenue Code (I.R.C.) Section 179" depreciation.
 - Sales factor amendments and cost of performance standard replaced with market-theory approach for sales other than inventory sales of tangible personal property and real estate.

COMPARISONS WITH OTHER STATES (AS OF 1/04)

The Ohio pass-through entity tax is essentially a withholding tax on the distributive shares of income of qualifying investors (generally corporations and nonresident investors).

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

These states include: **California, Indiana, New Jersey, 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

Public utilities that are subject to the tax.

TAX BASE

Most public utilities are taxed on gross receipts from intrastate business. The following public utilities are subject to this tax: local telephone companies, water works companies, pipeline companies, heating companies, and water transportation companies. Natural gas companies are subject to a separate excise tax.

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

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.

First \$25,000 of gross receipts.

Electric, inter-exchange telecommunications, railroad and rural electric companies.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Local Gov't. Funds	Other⁽¹⁾	Total
2000	\$642.1	\$33.1	\$0.1	\$675.3
2001	640.5	33.7	0.1	674.3
2002	260.1	39.8	0.1	300.0
2003	218.7	36.7	0.1	255.5

Note: (1) Includes the Attorney General Claims Fund.

DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 95.2 percent of remaining revenue is deposited in the General Revenue Fund, 4.2 percent is deposited in the Local

PUBLIC UTILITY EXCISE TAX

Government Fund, and 0.6 percent is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds were “frozen” and each received the same amount of public utility excise tax revenue as they received in FY 2001. The remainder was deposited in the General Revenue Fund. This “freeze” on local government funds is continued in FY 2004.

Refer to ***Disposition of Revenue*** in the **INDIVIDUAL INCOME TAX** section for information on the semi-annual reduction of the Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund deposits.

PAYMENT DATES

Advance payments are required of all public utilities, except natural gas companies, 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 October 15, March 1, and June 1. Final payment of remaining balance, based on the current year’s certification in November, is due within 30 days of billing.

Each natural gas company whose annual liability equals or exceeds \$325,000 must pay on a quarterly basis. 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

Local telephone companies receive a credit for non-recurring costs associated with the installation of a 9-1-1 system in a county.

Qualifying natural gas companies may receive a refundable quarterly credit, beginning with the November, 2001 payment, for estimated tax payments made in October, 1999; March, 2000; and June, 2000. This credit expires when the amount of the estimated payments are made up in credits, or in 15 years.

SECTIONS OF OHIO REVISED CODE

Chapters 5703 and 5727.

PUBLIC UTILITY EXCISE TAX

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1894 • Enacted.
- 1911 • Current tax structure established.
- 1935 • One percent rate increase for certain utilities.
- 1938 • Rate increases for certain utilities.
- 1963 • Advance payment system inaugurated.
- 1966 • All revenue allocated to General Revenue Fund.
- 1971 • Rates increased from previous 3.0 percent to 4.0 percent for most utilities.
- 1977 • Advance payment system altered for gas, pipeline, and electric companies.
- 1979 • Advance payment system altered for remaining utilities except freightline and equipment companies.
- 1980 • Rates temporarily increased for 1981 (from 4.0 percent to 5.0 percent for most utilities).
- 1981 • Rates temporarily increased for 1982 (from 4.0 percent to 4.5 percent for most utilities).
 - Rates permanently increased for 1983 and thereafter (from 4.0 percent to 4.25 percent for most utilities).
 - Charter-city credit repealed.
 - 5.55 percent sur tax imposed on 1982 liability.
- 1982 • Temporary rate increase for 1983 (from 4.25 percent to 4.5 percent for most utilities).
 - 5.55 percent sur tax imposed on 1983 liability.
- 1983 • Temporary rate increase for 1983 (from 4.5 percent to 5.0 percent for most utilities).
 - Permanent rate increase for 1984 and thereafter (from 4.25 percent to 4.75 percent for most utilities).
 - Advance payment system altered.

PUBLIC UTILITY EXCISE TAX

- 1985
 - Credit established for telephone companies for non-recurring installation costs related to a 9-1-1 system.
- 1987
 - Long-distance telephone companies exempted from public utility excise tax.
- 1990
 - Public utility excise tax on freightline and equipment companies repealed as of tax year 1990.
- 1991
 - Legislation passed granting \$1.0 per ton credit beginning tax year 1995 to electric companies using pollution control devices for burning Ohio coal.
 - Credit established for telephone companies with a lifeline program of rate discounts for low-income, elderly and disabled persons.
 - Railroads exempted from tax as of tax year 1992 by court decision.
- 1998
 - Lifeline credit program for telephone companies extended through 1999.
- 1999
 - Changed the current payment schedule and measurement periods for natural gas companies and the natural gas business of combined natural gas and electric companies, effective May 1, 2000.
 - The excise tax on electric and rural electric companies was replaced with the kilowatt-hour tax, effective May 1, 2001.
 - Removal of electric and rural electric companies from the public utility excise tax, effective with the June, 2001 payment.
 - Increased the coal credit from \$1.0 to \$3.0 per ton effective January 1, 2000 until it terminates at the end of 2004.



PUBLIC UTILITY EXCISE TAX

- 2000
 - Expanded the definition of electric utility compliance facility that is able to take the increased \$3.0 per ton coal credit.
 - Natural gas consumption tax (Mcf tax) receipts will remain as revenue in the tax base of the public utility excise tax.
- 2003
 - Removal of telephone companies from the public utility excise tax, effective after the 2004 tax year.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

Rates of 0.5 percent - 0.75 percent on intrastate telephone service and 0.03 cent(s) per kilowatt hour of electricity consumed.

Florida

Gas, electric, and express companies pay a tax of 2.5 percent on gross receipts. Communications services pay a tax of 6.8 percent (for business services) or 2.37 percent (for residential services) on gross receipts. A tax of 13.17 percent (10.8 percent of the sales price, 2.37 percent on gross receipts) is levied on direct-to-home satellite services.

Illinois

Electric companies pay on a declining cents-per-kilowatt-hour basis based on end use or 5.0 percent of gross receipts. Gas companies pay 2.4 cents per therm sold to customers or 5.0 percent of gross receipts, whichever is less. Telecommunications companies pay 7.0 percent tax on gross charges. Utilities also pay a tax of 0.08 percent of their gross revenues.

New Jersey

Sewage and water corporations are subject to a tax on 2.0 percent or 5.0 percent of gross receipts (depending upon amount of gross receipts). Electric, natural gas, and telephone companies are subject to corporate business taxes.

New York

Water, gas, steam, and electric companies pay a tax of 0.375 percent on gross earnings from state sources plus a tax on dividends or net value. All utilities selling

PUBLIC UTILITY EXCISE TAX

utility services to New York consumers pay an “additional” tax of 2.125 percent on gross income earned in the state on regulated revenue sources and 0.4 percent on unregulated revenue sources. Telecommunications services tax rate is 2.5 percent of gross receipts.

Ohio

Most public utilities pay a tax of 4.75 percent on gross receipts from intrastate business.

Pennsylvania

Rate of 4.4 percent on gross receipts for electric companies; rate of 4.5 percent on gross receipts, plus a 0.5 percent surtax, for all other utilities.

Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581 percent to 1.997 percent of gross receipts, depending upon class of utility and population of town in which utility operates. Electric utilities operating a nuclear facility pay a 5.0 percent surcharge on the gross receipts tax.

West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4.0 percent tax on gross income from telecommunications activities apportioned to the state. Electric power companies pay a tax based on the generating capacity of their electric generating facilities. Natural gas companies pay a tax of 4.29 percent of gross receipts. Water companies pay a tax of 4.4 percent.

Indiana, Kentucky, Massachusetts, and Michigan

In general, public utilities pay a nominal tax or fee on gross receipts strictly for the support of the state regulatory agency. The utilities may be subject to general business taxes.



REPLACEMENT TIRE FEE

TAXPAYER

Any wholesale distributor of replacement tires or any retail dealer acquiring tires on which the fee has not been paid.

TAX BASE

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.

RATES

\$1.00 per tire.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Fiscal Year	Scrap Tire Mgt. Fund	Adm. Fund	Total
2000	\$3.2	\$0.1	\$3.3
2001	3.3	0.1	3.4
2002	6.0	0.3	6.3
2003	6.8	0.3	7.1

DISPOSITION OF REVENUE

96 percent to the Scrap Tire Management Fund.
4.0 percent to the Tire Fee Administration Fund.

PAYMENT DATES

Returns are filed monthly or quarterly and are due with the payment by the 20th 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.

REPLACEMENT TIRE FEE

HISTORY OF MAJOR CHANGES

- 1993 • Enacted with expected sunset on June 30, 2002.
- 1999 • Fee extended through June 30, 2006.
- 2001 • Tire fee increased from 50 cents to \$1.00 per tire.

COMPARISONS WITH OTHER STATES (AS OF 01/04)

California	\$ 1.00 per tire on replacement tires.
Florida	1.00 per tire on replacement tires.
Illinois	1.00 per tire on replacement tires.
Indiana	0.25 per tire on replacement tires.
Kentucky	1.00 per tire on replacement tires.
Ohio	1.00 per tire on replacement tires.
Pennsylvania	1.00 per tire on replacement tires.
Texas (1)	2.00 per tire on replacement tires.

Massachusetts, Michigan, New Jersey, New York, and West Virginia do not have a replacement tire fee.

Notes: (1) *The sale of a new tire as original equipment in a new vehicle is exempt from the fee. However, the following fees also apply: \$2.0 for each new tire or \$1.0 for each used tire with a rim diameter measuring at least 12 inches but less than 17.5 inches or greater; \$3.50 for new tires with a rim diameter measuring at least 17.5 inches, other than off-road tires intended for industrial uses; \$2.0 for new motorcycle tires regardless of the rim diameter.*



SALES AND USE TAX – STATE

TAXPAYER

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

TAX BASE

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

RATE

6.0 percent (with specific brackets for sales other than multiples of one dollar). This is a temporary rate that became effective July 1, 2003. It is scheduled to expire on June 30, 2005.

MAJOR EXEMPTIONS

Purchases for resale.

Food for human consumption off the premises where sold.

Newspapers and magazine subscriptions.

Motor fuel.

Sales of artificial and natural gas, electricity delivered through wires, and water when delivered through pipes, wires or conduits.

Prescription drugs.

Property used primarily in manufacturing or used directly in mining or agriculture.

Credit for trade-ins on new motor vehicles, new watercraft, and new outboard motors.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Local Funds	Other⁽¹⁾	Total
2000	\$5,913.7	\$298.3	\$2.0	\$6,214.0
2001	5,935.6	299.4	2.2	6,237.2
2002	6,038.0	303.3	2.2	6,343.5
2003	6,397.9	301.3	2.2	6,701.4

Note: (1) Includes Attorney General Claims Fund.

SALES AND USE TAX – STATE

DISPOSITION OF REVENUE

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

For fiscal years 2002 and 2003, the local government funds were “frozen” and each received the same amount of sales and use tax revenue as they received in FY 2001. The remainder was deposited in the General Revenue Fund. This “freeze” on local government funds is continued in FY 2004. Refer to ***Disposition of Revenue*** in the **INDIVIDUAL INCOME TAX** section for information on the semi-annual reduction of the Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund deposits.

PAYMENT DATES

Monthly returns: by the 23rd day of the month following the reporting period.

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

Quarterly returns: consumer accounts and direct payments by the 23rd day of the month following the reporting period if quarterly liability is under \$5,000. Otherwise, consumers must remit tax monthly.

Note: vendors and out-of-state sellers are allowed a 0.75 percent discount for timely payment.

Payment is required to be made by electronic funds transfer by taxpayers when liabilities equal or exceed \$75,000 a year. These taxpayers must also make accelerated payments on the 15th and 25th of the month.

SPECIAL PROVISIONS/CREDITS

1. Counties and transit authorities may levy additional sales and use tax. (See **SALES AND USE TAX – COUNTY AND TRANSIT AUTHORITY** section.)

SALES AND USE TAX – STATE

2. Qualified municipal corporations and townships (see R.C. 5739.101-5739.105) are authorized to levy a resort area tax at the rate of 0.5 percent, 1.0 percent or 1.5 percent on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax:
Kelley's Island (1.5 percent), village of Put-in-Bay (1.5 percent), and the township of Put-in-Bay (1.5 percent).
The Tax Commissioner administers this tax.

SECTIONS OF OHIO REVISED CODE

Chapters 5739, 5740, and 5741.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- | | |
|------|---|
| 1934 | • Enacted a sales tax at a 3.0 percent rate effective January 1, 1935. |
| 1935 | • Enacted a use tax at a 3.0 percent rate effective January 1, 1936. |
| 1936 | • Food sold for human consumption off the premises exempted. |
| 1962 | • Use of sales tax stamps discontinued. |
| 1967 | • Rate increased to 4.0 percent. Cigarettes and beer made taxable. |
| 1971 | • Cigarettes exempted. |
| 1981 | • Rate increased to 5.0 percent; cigarettes, repairs, and other selected services made taxable. Credit established for trade-ins on new motor vehicles. |
| 1983 | • Business data processing services made taxable. |
| 1987 | • Purchases made with food stamps exempted.
• Long distance telecommunications service made taxable. |
| 1989 | • Investment coin and bullion purchases exempted. |

SALES AND USE TAX – STATE

- 1990
 - Credit established for trade-ins on new or used watercraft.
 - Tangible personal property primarily used in manufacturing operations exempted (replaced manufacturers' direct use exemption).
- 1991
 - Lawn care, landscaping, private investigation, and security services made taxable.
- 1993
 - Building cleaning and maintenance, exterminating, employment agency, and personnel supply service made taxable.
 - Physical fitness facilities and recreation and sports club memberships made taxable.
 - Vendor discount decreased from 1.5 percent to 0.75 percent of tax collections.
 - Tax exemption for property used in making a retail sale defined more narrowly.
 - Property and third party labor used to fulfill a warrant or service contract made taxable.
 - Tax exemption for food service operations defined more narrowly.
 - Tax exemption for qualified property used in research and development established.
 - Tax exemption for nonprofit scientific organizations established.
 - Qualified municipal corporations and townships authorized to levy a resort area tax.
- 1994
 - Tax exemption for property and third party labor used to fulfill a warranty or service contract reinstated.
 - Tax exemption provided for equipment used to handle tangible personal property temporarily stored in certain types of warehouses before being sent out of state.
 - Tax exemption provided for reciprocity of purchase between Ohio and other states.
 - Tax exemption provided for purchases by organizations defined under Internal Revenue Code 501(c)(3).
 - Tax exemption provided for purchases of building and construction materials to be incorporated into a horticulture or livestock structure.

SALES AND USE TAX – STATE

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

SALES AND USE TAX – STATE

- Changed the definition of exempted casual sales to include items that had been subjected to the taxing jurisdiction of another state.
 - Treatment of charitable nonprofit organizations clarified.
 - Exemption for certain types of energy systems purchased between August 14, 1979 to December 31, 1983 (as it no longer applied) repealed.
 - Liquor permit holders required to have the liquor license in the same name that is on the vendor's license.
 - The limited vendor's license eliminated. The transient vendor's license made to include those vendors that previously were required to obtain the limited vendor's license.
 - Reduced the transient vendor's license fee from \$100 to \$25.
 - Tax Commissioner given the authority to discuss streamlining the sales tax with other states.
- 2001
- Excluded coin-operated telephone services from the definition of taxable telecommunications services.
 - Revenue distribution to both local government funds temporarily changed.
 - Effective January 1, 2002, certain duties of the Treasurer of State transferred to the Tax Commissioner.
 - Exemption of fire protection and emergency vehicles and equipment expanded.
 - The sales and use tax on certain leased motor vehicles, watercraft, aircraft, and on the lease of tangible personal property by businesses required to be paid upon consummation of the lease.
- 2002
- Authorized participation in the multi-state Streamlined Sales Tax Agreement.
 - Allowed refunds directly to consumers when the consumer illegally or erroneously paid tax to the vendor.
- 2003
- Increased rate from 5.0 percent to 6.0 percent for



SALES AND USE TAX – STATE

the period July 1, 2003 to June 30, 2005. Vendor discount increased from 0.75 percent to 0.9 percent for the same period.

- Imposed tax on laundry and dry cleaning services, satellite broadcasting service, personal care services, intrastate transportation of persons by motor vehicle or aircraft, motor vehicle towing service, snow removal service, and storage of tangible personal property, effective August 1, 2003.
- Included delivery charges as part of the price of a taxable sale, effective July 1, 2003.
- Repealed exemption for WATS, 800-number and WATS-type telecommunications, and private communications service, effective July 1, 2003.
- Exempted telecommunications service used to perform the functions of a call center, effective July 1, 2003.
- Required accelerated payments of tax from taxpayers that are required to pay tax by electronic funds transfer.
- Raised threshold for requiring taxpayers to pay tax by electronic funds transfer from \$60,000 annual tax liability to \$75,000.
- Changed some definitions of food, beverages, and medical supplies to conform to the provisions of the multi-state Streamlined Sales Tax Agreement.

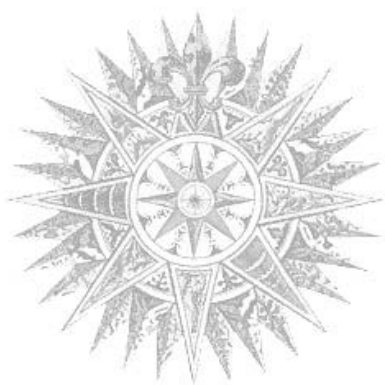


SALES AND USE TAX – STATE

COMPARISONS WITH OTHER STATES (AS OF 01/04)

<u>State</u>	<u>State Tax Rate</u>	<u>Local Tax Rate</u> (1)	<u>Maximum Rate In Effect Including Local Rate</u>
California(2)	6.00%	2.50%	8.50%
Florida	6.00	1.50	7.50
Illinois	6.25	3.00	9.25
Indiana(3)	6.00	0.00	6.00
Kentucky	6.00	0.00	6.00
Massachusetts	5.00	0.00	5.00
Michigan	6.00	0.00	6.00
New Jersey	6.00	0.00	6.00
New York	4.25	4.85	9.10
Ohio	6.00	2.00	8.00
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia	6.00	0.00	6.00

Notes: (1) Rate shown is the highest combined total local rate currently in effect in the state. (2) Beginning July 1, 2004, a temporary 0.5 percent sales and use tax will be imposed to help finance State Deficit Bonds. At the same time, the total local government rate will be reduced by 0.5 percent. Consequently, the combined state and local sales and use tax rate in any taxing jurisdiction will remain unchanged. (3) Local governments have permissive authority to levy a local sales tax at a rate up to 1.0 percent on food and beverages that are prepared and consumed on-site.



SEVERANCE TAX

TAXPAYER

Holder of 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

<u>Resource</u>	<u>Tax Rate</u>
Coal	9.0 cents per ton ⁽¹⁾
Salt	4.0 cents per ton
Dolomite, gravel, sand and limestone	2.0 cents per ton
Oil	10 cents per barrel
Natural gas	2.5 cents per 1,000 cubic feet
Clay, sandstone, shale conglomerate, gypsum and quartzite	1.0 cent(s) per ton

Note: (1) Includes a temporary one cent per ton tax on coal (see **Special Provisions/Credits**).

MAJOR EXEMPTIONS

Natural resources with a market value not exceeding \$1,000 annually, when used in the owner's homestead or for improvement thereon, if the homestead is located on the same property from which the minerals were severed.

REVENUE (IN MILLIONS)

<u>Fiscal Year</u>	<u>Total</u>
2000	\$8.3
2001	8.0
2002	8.0
2003	7.5

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

SEVERANCE TAX

Geological Mapping Fund
Surface Mining Administrative Fund

PAYMENT DATES

May 15, August 14, November 14, February 14, for quarterly periods ending last day of March, June, September, and December, respectively. February 14 for annual period ending December 31.

SPECIAL PROVISIONS/CREDITS

The Department of Natural Resources may impose a one cent per ton tax on coal if the balance of the Reclamation Supplemental Forfeiture Fund plus transfers to the fund and current revenues for the fund are not sufficient to reclaim lands.

SECTIONS OF OHIO REVISED CODE

Chapter 5749.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1972 • Tax became effective.
- 1983 • Tax rates increased on oil and natural gas.
- 1985 • Rate on coal temporarily increased by two cents per ton for the Defaulted Areas Fund.
 - Rate on coal permanently increased by three cents.
- 1989 • Rate on limestone, dolomite, sand, and gravel increased by one cent per ton.
 - Tax of one cent per ton on clay, sandstone, shale, conglomerate, gypsum, and quartzite became effective.
- 1999 • Changed the distribution of the oil and natural gas taxes to 90 percent to the Oil and Gas Well Fund and 10 percent to the General Mapping Fund. Changed one of the temporary one cent tax levies on coal to permanent.



SEVERANCE TAX

- 2000
- Created the Division of Mineral Resources Management in the Department of Natural Resources by combining the Division of Mines and Reclamation with the Division of Oil and Gas.
 - Made fiscal changes to the Reclamation Supplemental Forfeiture Fund, the Surface Mining Administrative Fund, and the Coal Mining Administration and Reclamation Reserve Fund.

COMPARISONS WITH OTHER STATES (AS OF 01/04)

<u>State/Resource</u>	<u>Rate</u>
California	
Oil and gas	4.43089 cents per barrel of oil or 10,000 cubic feet of natural gas.
Timber	6.0 percent of total immediate harvest value.
Florida	
Oil	5.0 percent of gross value for small well oil and tertiary oil; 8.0 percent of gross value for all other oil; escaped oil, 12.5 percent additional.
Gas	0.256 cents per Mcf of gas (1,000 cubic feet) produced and sold or used by a producer.
Sulfur	\$2.72 per long ton.
Minerals (except phosphate rock and heavy minerals)	8.0 percent of market value.
Phosphate rock	1.30 per ton.
Heavy minerals	3.02 per ton.
Illinois	
Timber	4.0 percent of purchase price.
Indiana	
Petroleum, oil, gas, and other hydrocarbons	1.0 percent of value.

SEVERANCE TAX

Kentucky

Oil	4.5 percent of market value.
Coal ⁽¹⁾ and other natural resources	4.5 percent of gross value.

Michigan

Oil	6.6 percent of market value; 4.0 percent gross cash value for stripper well crude oil and crude from marginal producing properties.
Gas	5.0 percent of market value, plus an additional fee not to exceed 1.0 percent of total market value.

Ohio

Coal	9.0 cents per ton⁽²⁾.
Salt	4.0 cents per ton.
Limestone and dolomite	2.0 cents per ton.
Sand and gravel	2.0 cents per ton.
Oil	10 cents per barrel.
Natural gas	2.5 cents per 1,000 cubic feet.
Clay, sandstone, and shale	1.0 cent per ton.
Conglomerate, gypsum, and quartzite	1.0 cent per ton.

Texas

Gas	7.5 percent of market value.
Oil	4.6 percent of market value or 4.6 cents per 42-gallon barrel, whichever is more.
Sulfur	\$1.03 per long ton.

Notes: (1) Coal used for burning solid waste is taxed at 50 cents or 4.0 percent of the selling price per ton. (2) Rate shown includes a temporary one cent per ton tax on coal (see **Special Provisions/Credits**).



SEVERANCE TAX

West Virginia

(gross receipts tax)

Coal(3)	5.0 percent of gross market value.
Coal refuse (or gob piles)	2.5 percent of gross market value.
Coal methane	5.0 percent of gross market value.
Limestone and sandstone	5.0 percent of gross market value.
Oil	5.0 percent of gross market value.
Natural gas	5.0 percent of gross market value.
Timber	3.22 percent of gross market value.
Other natural resources	5.0 percent of gross market value.

Massachusetts, New Jersey, New York, and Pennsylvania do not have severance taxes.

Notes: (3) Rate shown includes a 0.35 percent additional county and municipal severance tax on coal. However, the rate shown does not include the following: 14 cents per ton of clean coal mined through a surface mine operation; 2.0 cents per ton on all coal mined in the state (coal production privilege tax).



LOCAL TAXES



ADMISSIONS TAX

TAXPAYER

Operators of movie theaters, theme parks, professional sporting events and other activities for which there is an admissions charge.

TAX BASE

Although there is no state tax on admissions, a number of municipalities levy a tax on admissions to theaters, sporting events, and other places of amusement.

RATES

Admissions tax rates vary among municipalities. However, most rates are 3.0 percent or less.

In 2001, the last year for which data on this tax is available, 61 municipalities reported that they levied an admissions tax.

MAJOR EXEMPTIONS

Admissions to events sponsored by the state or other public institutions.

REVENUE (IN MILLIONS)

Calendar

<u>Year</u>	<u>Total</u>
1998	\$17.2
1999	18.3
2000	23.0
2001	21.7

DISPOSITION OF REVENUE

All revenue collections are kept by the municipality.

PAYMENT DATES/SPECIAL PROVISIONS AND CREDITS/FILING PROCEDURES

For information on filing and payment of admissions taxes, as well as information on any provisions or credits affecting 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

As determined by legislative authority of a municipality.

ADMISSIONS TAX

COMPARISONS WITH OTHER STATES (AS OF 01/04)

In most states, 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 per ticket. Tickets sold for \$12.99 or less are exempt.

Florida

Admissions charges are subject to sales tax only.

Illinois

Admissions tax varies among municipalities; highest rate currently in effect is 8.0 percent.

Indiana

Certain counties may authorize the tax. Tax rates and base varies. Municipalities may levy a 5.0 percent tax on certain admissions.

Kentucky

Admissions subject to sales tax and counties may levy a 10 percent surcharge on certain multi-purpose arena admissions.

Massachusetts

No state admissions tax, and admissions are exempt from sales tax.

Boston:

A 5.0 percent surcharge is imposed on the price of tickets for water-based sightseeing, entertainment cruises or tours, and tourist venues. A 5.0 percent fee is imposed on the price of baseball tickets. A 15 percent fee is imposed on the rental of luxury boxes located in baseball facilities.

Michigan

No special admissions tax, and admissions are exempt from sales tax.

New Jersey

Admissions are subject to the sales tax.



ADMISSIONS TAX

Atlantic City:

A 9.0 percent luxury tax is imposed on all live theater performances (shows and movies), amusement piers, exhibition facilities, and other places of amusement. (1)

Cape May County:

A 2.0 percent county tourism tax is imposed on all theater performances (live stage shows and movies), nightclubs and cabarets, sporting events, amusement rides, amusement piers, exhibition facilities, and other places of amusement.

New York

Admissions subject to sales tax only. Nassau County is authorized to levy a \$1.50 per ticket tax for venues that seat more than 2,500. The cities of Lockport, Niagara Falls, and Niagara County all levy a 7.0 percent tax on admissions to clubs and cabarets.

Ohio

Admissions are not subject to sales tax. Admissions taxes levied by some municipalities, with most rates at 3.0 percent or less.

Pennsylvania

Admissions taxes vary among municipalities. 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 all sporting and community events held at a state-approved facility.

West Virginia

Admissions are subject to sales tax only.

Note: (1) *The state sales tax is reduced to 3.0 percent when the luxury tax is imposed.*



ALCOHOLIC BEVERAGE TAXES – COUNTY

TAXPAYER

(See **ALCOHOLIC BEVERAGES TAXES – STATE** section.)

TAX BASE

Beer, wine, mixed beverages, and liquor.

RATES

Beer	Up to 16 cents per gallon
Wine and mixed beverages	Up to 32 cents per gallon
Apple cider (alcoholic content over one-half percent)	24 cents per gallon
Liquor	Up to \$3.00 per gallon

Cuyahoga County is currently levying each tax at the maximum rate. It is the only county levying these taxes.

MAJOR EXEMPTIONS

Sacramental wine.

Sales to the federal government.

REVENUE (IN MILLIONS)

Fiscal	Wine and Mixed		Admin.		
Year	Beer	Beverages	Liquor	Fund	Total
2000	\$5.3	\$0.9	\$4.3	\$0.1	\$10.6
2001	4.8	0.9	4.6	0.1	10.4
2002	5.1	1.0	4.6	0.1	10.8
2003	4.9	1.0	4.6	0.1	10.6

DISPOSITION OF REVENUE

98 percent is allocated to the county or development corporation to operate or service the debt of a sports facility.

The remaining 2.0 percent is allocated to the Department of Taxation for the administration of the tax.

PAYMENT DATES

(See **ALCOHOLIC BEVERAGES TAXES – STATE** section.)

SPECIAL PROVISIONS/CREDITS

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

ALCOHOLIC BEVERAGE TAXES – COUNTY

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).

HISTORY OF MAJOR CHANGES

- 1986
 - County sports facility liquor tax authorized.
- 1990
 - County sports facility beer, wine and mixed beverage tax authorized. County sports facility liquor tax amended.
 - Voters of Cuyahoga County enacted county tax on beer, wine, and liquor at the maximum rate to run through July 31, 2004.
- 1995
 - Counties permitted to enact alcoholic beverage taxes to be effective after a current levy expires.
 - County convention facility authority authorized to propose a tax with voter approval.
 - Tax on apple cider reduced.
 - Voters of Cuyahoga County extended the taxes for 10 years.

COMPARISONS WITH OTHER STATES (AS OF 12/03) (1)

Note: (1) Percentages refer to alcohol content, which is measured by volume.

Illinois

Cook County:

Beer	6.0 cents per gallon
Wine (less than 14 percent)	16 cents per gallon
Wine (14 percent or more)	30 cents per gallon
Spirits	\$2.00 per gallon



ALCOHOLIC BEVERAGE TAXES – COUNTY

Chicago (in addition to
Cook County tax):

Beer	16 cents per gallon
Liquor (less than 14 percent)	20 cents per gallon
Liquor (between 14 percent and 20 percent)	50 cents per gallon
Liquor (over 20 percent)	\$1.50 per gallon

New York

New York City:

Beer	12 cents per gallon
Liquor	26.4 cents per liter

New Jersey

Atlantic City: a “luxury” tax of 3.0 percent of the retail price is charged on sales of alcoholic beverages.

Ohio

Cuyahoga County:

Beer	16 cents per gallon
Wine and Mixed Bev.	32 cents per gallon
Apple Cider	24 cents per gallon
Liquor	\$3.00 per gallon

California, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, Texas, and West Virginia do not have a local tax on alcoholic beverages.



CIGARETTE TAX – COUNTY

TAXPAYER

(See **CIGARETTE AND OTHER TOBACCO PRODUCTS TAX** section).

TAX BASE

Cigarettes.

RATE

Up to 0.225 cent per cigarette (4.5 cents per package of 20 cigarettes).

Cuyahoga County, the only county levying the tax, is currently levying this tax at the maximum rate.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Fiscal Year	Revenue	Adm. Fund	Total
2000	\$4.9	\$0.1	\$5.0
2001	4.9	0.1	5.0
2002	4.8	0.1	4.9
2003	4.4	0.1	4.5

DISPOSITION OF REVENUE

98 percent is distributed to the county or development corporation to operate or service the debt of a sports facility.

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

PAYMENT DATES

(See **CIGARETTE AND OTHER TOBACCO PRODUCTS TAX** section).

SPECIAL PROVISIONS/CREDITS

(See **CIGARETTE AND OTHER TOBACCO PRODUCTS TAX** section).

SECTIONS OF OHIO REVISED CODE

Sections 307.696, 307.697, and 5743.024.

CIGARETTE TAX – COUNTY

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1986 • County sports facility cigarette tax authorized.
- 1990 • Voters of Cuyahoga County enacted a tax at a rate of 4.5 cents per package of 20 cigarettes to run through July 31, 2005.
- 1995 • Counties permitted to enact cigarette tax to be effective after a current levy expires.
 - Tax levy by a county convention facility authority permitted.
 - Voters of Cuyahoga County extended the tax for 10 years. Tax is due to expire July 31, 2015.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

Illinois

Chicago/Cook County (1) 34 cents per package

New Jersey

Atlantic City 3.0 cents per package

New York

New York City \$1.50 per package

Ohio

Cuyahoga County 4.5 cents per package

Note: (1) Total rate of 34 cents includes a city of Chicago levy of 16 cents.

California, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, Texas, and West Virginia do not have a local tax on cigarettes.



GRAIN HANDLING TAX

TAXPAYER

Anyone receiving or purchasing grain in Ohio.

TAX BASE

Each bushel of grain received or purchased for storage, sale, or processing in Ohio.

RATES

0.50 mill per bushel for wheat and flax.

0.25 mill per bushel for all other grain.

MAJOR EXEMPTIONS

Public utilities.

Track buyers (those who buy and sell grain but never take possession of it).

Farmers raising and storing grain for use on the farm.

Transactions guaranteeing warehouse receipts for security only.

REVENUE

Calendar Year	Flax and Wheat	Other Grains	Total Taxes
1999	\$58,392	\$229,408	\$287,800
2000	60,033	174,761	234,794
2001	61,358	169,585	230,943
2002	57,081	172,322	229,403

DISPOSITION OF REVENUE

Distributed to local taxing jurisdictions in proportion to the property tax rates levied by each jurisdiction.

PAYMENT DATES

Taxpayers with property in only one county pay one-half of their tax liabilities on or before April 30, and the remainder by September 20, to the county treasurer.

Taxpayers with property in more than one county pay their tax liability in one installment by September 20, to the county treasurer.

SPECIAL PROVISIONS/CREDITS

None.

SECTIONS OF OHIO REVISED CODE

Chapter 5737.

GRAIN HANDLING TAX

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner and County Auditor:

Share responsibility for returns of taxpayers with property in only one county.

Tax Commissioner:

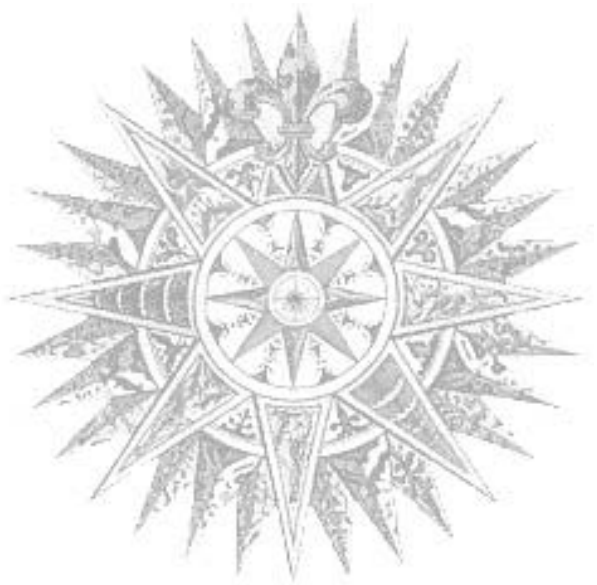
Exclusive responsibility for returns of taxpayers with property in more than one county.

HISTORY OF MAJOR CHANGES

1935 • Grain handling tax enacted.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

None of the surrounding or major states have a comparable tax or treat grain in a similar manner.



INDIVIDUAL INCOME TAX – SCHOOL DISTRICT

TAXPAYER

Every individual residing in, and every estate of a decedent who at the time of death was residing in, a school district that levies the tax.

TAX BASE

A resident tax on the amount reported as Ohio adjusted gross income less \$1,250 per exemption for 2003. (The exemption amount is indexed for inflation.)

RATES

Multiples of 0.25 percent. The rate must be approved by a vote of the school district residents before implementation. Current rates range from 0.5 percent to 2.0 percent in 133 districts that have a school district income tax in effect as of January 2004.

REVENUE (IN MILLIONS)

Fiscal Year	Revenue⁽¹⁾	Admin. Fund⁽²⁾	Total
2000	\$141.6	\$2.3	\$143.9
2001	152.7	2.4	155.1
2002	144.6	2.3	146.9
2003	141.9	2.3	144.2

Notes: (1) For subsequent distribution to school districts.

(2) Money is deposited into the Administration Fund before refunds are made.

DISPOSITION OF REVENUE

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

PAYMENT DATES

Same as state individual income tax and state withholding tax, except larger withholders remit monthly, rather than on a partial weekly basis.

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.

INDIVIDUAL INCOME TAX – SCHOOL DISTRICT

SECTIONS OF OHIO REVISED CODE

Chapters 5747 and 5748.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1979
 - General Assembly granted school districts authority to levy an income tax solely for repaying a state loan (no school district ever used this authority).
- 1981
 - Current law enacted.
- 1983
 - Certain provisions of the law repealed so that no additional school districts could enact the tax. Any school district enacting the tax prior to August 3, 1983 could continue to levy the tax (six did so).
- 1989
 - General Assembly reinstated provisions of the law allowing additional school districts to levy the tax.
 - \$50 senior citizen credit allowed.
- 1991
 - Income taxes permitted for a finite period of time, in addition to permanent.
 - Taxation of state retirement income clarified.
- 1992
 - Permitted an income tax levy and property tax reduction on a single ballot issue.
- 1995
 - Personal exemption increased to \$750 per taxpayer and spouse and \$850 per dependent for 1996; these amounts increased to \$850 and \$1,050, respectively, in 1997.
- 1996
 - Personal exemption for taxpayer and spouses raised to \$950 in 1998 and \$1,050 in 1999.
- 1997
 - Personal exemption indexed for inflation beginning in 2000.



INDIVIDUAL INCOME TAX – SCHOOL DISTRICT

COMPARISONS WITH OTHER STATES (AS OF 12/03)

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. However, in counties with a population over 300,000 the tax rate can be up to 0.75 percent. Local school boards may also levy an excise tax not to exceed 20 percent of a county resident's state individual income tax liability.

Michigan

School districts are authorized to impose a “piggyback” tax on the city income tax, but no such tax is currently levied.

Ohio

School districts may impose a tax levied in multiples of 0.25 of one percent on Ohio adjusted gross income of residents.

Pennsylvania

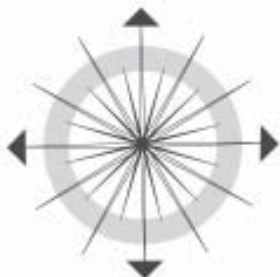
Pittsburgh:

The Pittsburgh School District levies an income tax at 1.875 percent on earned income and net profits. Nonresidents are not taxed.

Philadelphia:

The Philadelphia School District levies an “investment income tax” of 4.5 percent on 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. The tax is imposed only on residents.

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



LODGING TAX

TAXPAYER

Operators of hotels, motels, rooming houses, and other facilities providing lodging accommodations for transient guests.

TAX BASE

All transactions by which lodging in a hotel, motel, rooming house, and other lodging accommodations are furnished to transient guests.

RATES

The maximum combined tax rate permitted in most locations is 6.0 percent. However, due to the enactment of special lodging taxes in some counties, the maximum combined tax rate sometimes exceeds 6.0 percent. These counties and their maximum combined tax rates as of December 31, 2001, the last year for which complete reports are available, are: Cuyahoga (7.5 percent), Fairfield (7.5 percent), Franklin (10 percent), Guernsey (9.0 percent), Lucas (8.0 percent), Muskingum (8.0 percent), and Summit (7.5 percent).

Counties:

Under a 1980 law, counties may enact a tax of up to 3.0 percent to be levied only in those municipalities or townships which have not already enacted a tax authorized by the 1980 law. As of December 31, 2001, 59 counties levied a lodging tax.

In addition, various special county lodging taxes have been authorized under state law. Most of these special county lodging taxes could only be adopted by a board of county commissioners during a limited time period. Furthermore, revenue produced from these county taxes could be used only for specified purposes (not for the county general fund). Five counties currently have a special lodging tax: Cuyahoga, Fairfield, Hamilton, Lucas, and Summit.

Municipalities and Townships:

Under a 1967 law, municipalities and townships are permitted to enact a lodging tax of up to 3.0 percent. Under a law enacted in 1980, municipalities and townships may also levy up to an additional 3.0 percent lodging tax. Therefore, municipal and township lodging taxes have a maximum 6.0 percent rate. As of December 31, 2001, 138 municipalities and 102 townships reported levying a lodging tax.

LODGING TAX

Under a 2002 law, during a limited time period the most populous municipality located in a county that enacted a special 2002 lodging tax levy could levy a tax of up to 1.0 percent for convention facility purposes.

County Convention Facility Authorities (CFA):

CFAs were permitted to enact an additional lodging tax of up to 4.0 percent only during a designated six-month period of calendar year 1988 for financing a new convention or sports center. An additional 0.9 percent rate was allowed to be imposed as long as this tax and the municipal or township tax authorized by the 1967 law did not exceed 3.0 percent. The Franklin County CFA enacted a 4.9 percent tax in the city of Columbus and a 4.0 percent tax in areas of Franklin County outside of Columbus. In addition, the Guernsey County CFA enacted a 3.0 percent tax and the Muskingum County CFA enacted a 4.0 percent tax.

MAJOR EXEMPTIONS

None.

REVENUE (IN MILLIONS)

Calendar

<u>Year</u>	<u>Total</u>(1)
1998	\$86.7
1999	92.5
2000	94.8
2001	92.7

Note: (1) *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 revenue 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 33 1/3 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.

LODGING TAX

Municipalities and townships are required to allocate at least one-half of the revenues from a 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 CFA 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

Counties are authorized to enact a lodging tax of up to 3.0 percent, but if a municipality or township within the county already has the tax authorized by the 1980 law, those areas are not subject to the county tax.

SECTIONS OF OHIO REVISED CODE

Sections 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 authority.

HISTORY OF MAJOR CHANGES

- 1967 • Municipalities and townships permitted to levy a lodging tax of up to 3.0 percent.
- 1980 • Counties permitted to levy a lodging tax of up to 3.0 percent, except where a municipality or township located wholly or partly within the county already has the tax; municipalities and townships were authorized to enact an additional tax of up to 3.0 percent if the county tax was not in effect.
- 1985 • Between July 15, 1985 and October 15, 1985, counties permitted to levy up to an additional 3.0 percent lodging tax for convention center construction (Lucas County enacted such a tax).

LODGING TAX

- 1988
- Between June 29, 1988 and December 31, 1988, a Convention Facilities Authority permitted to levy up to an additional 4.0 percent lodging tax for financing a new convention or sports center (Franklin County CFA and Muskingum County CFA enacted a 4.0 percent tax, and the Guernsey County CFA enacted a 3.0 percent tax).
 - Additionally, a Convention Facilities Authority permitted to enact an additional tax of up to 0.9 percent for the same purpose as above, but this tax plus a municipal or township tax under the original 1967 law could not exceed 3.0 percent. Any municipality or township that already had a tax under the original law had to agree to this additional tax (Franklin County CFA and the city of Columbus joined together to approve this tax.)
- 1992
- Between December 22, 1992 and March 21, 1993, counties permitted to levy an additional 1.5 percent lodging tax for financing a port authority educational and cultural facility (Cuyahoga County enacted such a tax).
- 1993
- Between June 30, 1993 and September 30, 1993, counties authorized to enact an additional 1.5 percent tax for the acquisition, construction, and equipping of a municipal educational and cultural facility (Summit County and Fairfield County enacted such a tax).
- 1994
- Revision of the 1980 law authorized counties to enact a lodging tax of up to 3.0 percent in those areas of the county where a municipal or township tax had not been levied under the 1980 law.
- 1997
- Board of county commissioners permitted to impose an additional tax of up to 2.0 percent, with the revenue designated for the county convention and visitors bureau.
- 1998
- Between March 18, 1999 and May 2, 1999, board of county commissioners permitted to impose an additional tax of up to 4.0 percent with all revenue distributed to the Convention Facilities Authority for a new convention facility (Richland County imposed this tax but repealed it in 2001).

LODGING TAX

- 2001
- By resolution enacted between January 4, 2001 and July 3, 2001, board of county commissioners levying the municipal education and cultural facility lodging tax could instead use the tax levy proceeds on a port authority educational and cultural performing arts facility (once the tax is no longer needed for its original purpose).
 - A board of county commissioners, board of township trustees, or legislative authority of a municipal corporation permitted to adopt a resolution specifying that, for lodging tax purposes, a “hotel” may include those establishments with fewer than five rooms for accommodation of guests.
 - Lodging tax regulations permitted to prescribe a penalty and/or interest for late payments.
- 2002
- By resolution enacted between September 9, 2002 and September 30, 2002, a board of county commissioners permitted to impose an additional tax of up to 3.5 percent with all revenue to be used for constructing or operating a convention facility. The levy could only be imposed if the board of county commissioners established a Convention Facilities Authority on or before May 15, 2002. The levy could only be imposed if the county levied the “standard” (1980 law) county lodging tax at a 3.0 percent rate as of June 30, 2002. (Hamilton County enacted such a tax).
 - Between September 9, 2002 and September 30, 2002, the largest municipality located in a county imposing the special 2002 convention center tax levy could enact an ordinance imposing an additional tax of up to 1.0 percent for constructing or operating a convention facility. (The city of Cincinnati enacted such a tax).
- 2003
- A board of county commissioners of a county with a population of at least one million persons permitted to do any or all of the following for the purpose of revenue for a convention facility and (if an agreement is reached between the board and municipalities within the county) for capital improvements: adopt a resolution to increase the existing county lodging tax levy to no more than 5.0

LODGING TAX

percent; adopt a resolution before August 31, 2004 to use revenue from an existing county lodging tax levy; and adopt a resolution to use the revenue from an existing port authority educational and cultural facility tax levy, and to extend the levy by 40 years.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

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.

Florida

Counties are authorized to enact an array of taxes on lodging: tourism development taxes, tourist impact tax, and convention development taxes. The maximum combined total rate is 6.0 percent.

Illinois

In general, municipalities and counties can impose a tax of up to 6.0 percent of gross rental receipts. The city of Chicago, however, can impose the following tax levies: the Metropolitan Pier and Exposition Authority hotel tax at 2.5 percent; the occupancy tax at 3.0 percent; the sports facilities tax at 2.0 percent; and the municipal hotel tax at 1.0 percent.

Indiana

Counties are able to impose a tax on lodging with a maximum rate of 5.0 percent. Thirty-two counties levy a lodging tax.

Kentucky

Municipalities and counties with a Tourist and Convention Commission may enact a tax of up to 4.0 percent. Counties that have established a multi-county Tourist and Convention Commission may impose an additional tax of 1.0 percent. An urban county government's transient room tax cannot exceed 7.0 percent. All other localities can, generally, impose the tax at 1.0 percent or 2.0 percent.

Massachusetts

The state imposes a tax of 5.7 percent, while localities have the option of imposing an additional tax of up to 4.0 percent. However, the city of Boston levies a room occupancy tax of 4.25 percent and a 0.25 percent baseball stadium tax.

LODGING TAX

Michigan

Counties may impose a tax of up to 5.0 percent; and, convention and tourism bureaus can enact a tax of up to 2.0 percent or 4.0 percent; special provisions apply regarding population. With voter approval, eligible municipalities may enact a tax of up to 1.0 percent.

A convention facility development tax with a rate of 1.5 percent to 6.0 percent is imposed on accommodations.

New Jersey

Municipalities where an international airport terminal is located may enact a tax of up to 6.0 percent. Municipalities may also establish tourism development tax districts and enact a tax not to exceed 2.0 percent; limitations apply.

New York

Three specific locations have rates of 7.0 percent: Lockport, Niagara County and the city of Niagara Falls. New York City's rate is 5.0 percent plus an additional tax of 50 cents to \$2.00 based on the daily rental rate.

Ohio

Municipality or Township – not to exceed a cumulative maximum of 6.0 percent provided county has not enacted tax.

County – in general not to exceed 3.0 percent. May not levy a tax if a municipality or township already levies the tax under the 1980 law. Several counties have also enacted special purpose taxes.

Convention Facilities Authority – not to exceed 4.0 percent and an additional tax not to exceed 0.9 percent. (The authority could only levy the tax between June 29, 1988 and December 31, 1988.)

Pennsylvania

Counties that meet certain requirements are authorized to impose a tax with a rate ranging from 2.0 percent to 7.0 percent; limitations apply. The city of Philadelphia currently has a 6.0 percent general room rental tax, a 1.0 percent city hotel occupancy tax, and a 1.0 percent tourism and marketing tax. Allegheny County imposes a 1.0 percent sales, use, and hotel

LODGING TAX

occupancy tax on hotel room rental charges, a 5.0 percent convention center tax, and a 2.0 percent temporary tax.

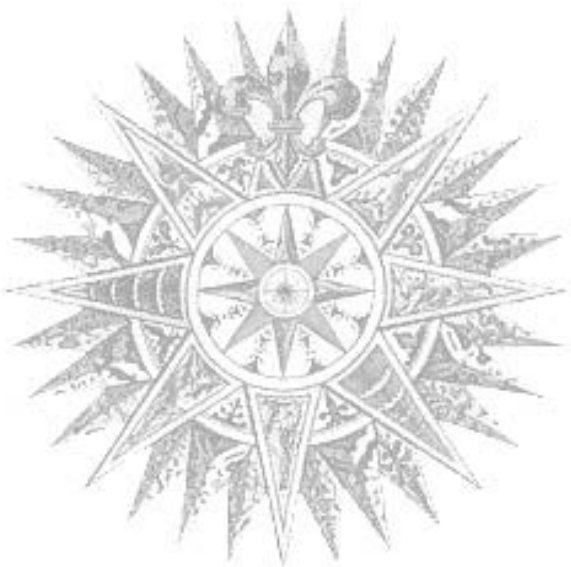
Texas

State rate is 6.0 percent. The maximum county rate is 7.0 percent.

A municipality may impose a tax of up to 7.0 percent; this maximum is raised to 9.0 percent for a city that has created a capital improvement plan to expand an existing convention facility. A municipality may also adopt a sports or community venue tax of up to 2.0 percent to establish or renovate a community sports venue project.

West Virginia

Cities and counties are able to impose the tax up to 3.0 percent of rent charged for all rentals up to 30 days in length. However, the city of Charleston and the city of Huntington may impose this tax for all rentals up to 90 days in length.



MANUFACTURED HOME TAX

TAXPAYER

All manufactured or mobile home owners not specifically exempt.

TAX BASE

If situated in Ohio prior to January 1, 2000, the assessed value of a manufactured or mobile home 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).

If a home is first situated in Ohio or has ownership transferred on or after January 1, 2000, it is assessed at 35 percent of true value (like real property). This also applies to homes located in Ohio before January 1, 2000, if the owner makes an election to have the home taxed like real property.

Manufactured or mobile homes used in a business are taxed as tangible personal property.

RATES

The rate consists of the total of local voted tax levies on real property. The minimum amount of tax is \$36 per year for homes taxed under 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 taxable as tangible personal property.
- 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 Revised Code.

REVENUE (IN MILLIONS)

Calendar Year	Taxes Levied
1999	\$36.4
2000	35.1
2001	30.8
2002	25.3

MANUFACTURED HOME TAX

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, 4.0 percent goes to the county auditor and 2.0 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 January 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 January 1, then no tax is due for that year.

The Tax Commissioner may grant extensions of the aforementioned due dates upon application by a county treasurer alone or by a county auditor and county treasurer together. An approved application extends the due date for the payment and collection of taxes.

SPECIAL PROVISIONS/CREDITS

Homestead exemption is granted to qualified elderly and disabled homeowners. (See **PROPERTY TAX – REAL** section.)

SECTIONS OF OHIO REVISED CODE

Sections 4501.01, 4503.06 - 0611, and 4503.99.

RESPONSIBILITY FOR ADMINISTRATION

County auditor, county treasurer, and Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 1925 • Tax enacted.
- 1963 • Distinction drawn between taxes levied on furnished and unfurnished trailers.
- 1969 • Depreciation schedule allowances increased.
- 1980 • Collection of taxes owed required prior to a transfer of a certificate of title.
- 1984 • “House trailers” renamed “manufactured homes.”
- 1986 • Homestead exemption for certain manufactured home owners enacted, effective tax year 1988.

MANUFACTURED HOME TAX

- 1995
- The limit of each homestead exemption income bracket increased by \$4,300 beginning in tax year 1996.
- 1999
- Used manufactured and mobile homes subjected to transfer fees and taxes beginning January 1, 2000.
 - A board of county commissioners permitted to reduce transfer tax rates for manufactured or mobile home owners who receive the homestead exemption.
 - Income brackets increased for the homestead exemption.
 - The income brackets (tax year 2000) and the taxable value reductions (tax year 2002) to be indexed in future tax years.
 - If a manufactured or mobile home is first located in Ohio or ownership is transferred on or after January 1, 2000, the home must be taxed like real property, while remaining on the manufactured home tax list, using the same tax rates and credits applied to residential real property.
 - Manufactured or mobile homes that are located in Ohio prior to January 1, 2000 to remain subject to depreciation method of taxation, unless the owner elects to have the home taxed like real property.
 - Before moving a manufactured or mobile home, the owner must obtain a relocation notice from the county auditor and pay the outstanding taxes charged against the home.
- 2003
- Manufactured home park operators permitted to remove an abandoned home from the park for sale or destruction.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

- Base: Mobile homes on permanent foundations are taxed as real property. 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 1.0 percent of full cash value.

MANUFACTURED HOME TAX

Florida

- Base: Taxed as real property if permanently affixed to property; the owner of the mobile home must also be the owner or part-owner of the land.
- Rate: All lawful levies.

Illinois

- Base: Assessed as real property if permanently affixed to property.
- Rate: Excluding those counties with two million inhabitants or more, a privilege tax is charged based on square footage and age of model; it ranges from 7.5 - 15.0 cents per square foot.

Indiana

- Base: Assessed at 100 percent effective February 28, 2001.
- Rate: The total state tax rate is limited to 33 cents on each \$100 of valuation. Incorporated areas are limited to a total rate of 66.67 cents on each \$100 of valuation, and all unincorporated areas are limited to a total rate of 41.67 cents on each \$100 of valuation.

Kentucky

- Base: Classified as real estate if on a permanent foundation. Assessed at 100 percent fair cash value.
- Rate: The total tax rate includes all lawful state and local levies.

Massachusetts

- Base: If located in a licensed manufactured home park, then it is exempt from real property and assessed as motor vehicles excise tax; base is 90 percent of list price for first year, depreciated to 10 percent for the fifth year and thereafter.
- Rate: Total rate of \$25 per \$1,000 of assessed value.

Michigan

- Base: Assessed at 50 percent of cash value.
- Rate: Total of local tax levies; a state education tax is imposed at 6.0 mills while the total cannot exceed 15 mills.

MANUFACTURED HOME TAX

New Jersey

- Base: When affixed to the land on a permanent foundation or connected to utility systems, assessed as real property at a percentage of true value not lower than 20 percent or higher than 100 percent. A manufactured home installed in a “mobile home park” is subject to an annual municipal service fee instead of taxed as real property.
- Rate: Total of local tax levies with limitations imposed.

New York

- Base: If attached to a foundation, assessed as real property at full market value; uniform percentages of value vary by taxing units.
- Rate: Total of local tax levies.

Ohio

- Base: If a manufactured or mobile home is first located in Ohio or has ownership transferred on or after January 1, 2000, it is assessed at 35 percent of true value. If located in Ohio prior to January 1, 2000, it may be assessed at 35 percent of true value at the discretion of the home owner, otherwise the manufactured home or mobile home is assessed at 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).**
- Rate: Total of local voted tax levies; under the depreciation assessment method the minimum tax is \$36.**

Pennsylvania

- Base: If permanently attached to land or connected to utility systems, assessed at a percent of full market value at a ratio of 75 - 100 percent, depending on location.
- Rate: Total of local tax levies.

MANUFACTURED HOME TAX

Texas

- Base: If the owner of the home and land is the same, then the tax is assessed as real property (full market value). 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: If the home is affixed to land, and the owner of the land is the same, and the owner also occupies the home then it is taxed as residential real property. If the home is occupied by the owner, but located on land owned by another owner, it is taxed as personal property. All property is assessed at 60 percent of market value.
- Rate: Total rate charged is the aggregate rate of all state, county, city, and special taxing district levies.



MUNICIPAL INCOME TAX

TAXPAYER

For most taxpayers, wages and salaries are subject to withholding by the employer who sends the payment monthly to the municipality.

Taxpayers who have taxable income on which tax has not been withheld must file quarterly declarations.

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

TAX BASE

The tax is generally imposed on:

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 or, if that cannot be determined, net profits apportioned using equal weighting of property, payroll, and sales inside the municipal corporation relative to those factors for the business everywhere.

RATES

State law requires a flat rate within a municipality.

Rate is determined locally — maximum rate without voter approval is 1.0 percent.

Rates presently vary from a low of 0.25 percent to a high of 2.85 percent; over half of the rates are at 1.0 percent.

MAJOR EXEMPTIONS

State law requires 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 tax.



MUNICIPAL INCOME TAX

- Interest and dividends.

In addition, municipalities generally exempt the following:

- Old-age pensions and disability benefits.
- Capital gains and losses.

Personal exemptions are not granted.

REVENUE (IN MILLIONS)

Calendar

<u>Year</u>	<u>Total</u>
1998	\$3,009.4
1999	3,178.8
2000	3,279.2
2001	3,353.9

DISPOSITION OF REVENUE

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

PAYMENT DATES

Between January 1 and April 30, taxpayers generally file annual returns, reconciling tax liability with the amount remitted through withholding and estimated payments.

Taxpayers making quarterly estimated payments file an annual return by April 30 of the current taxable year, and quarterly payments are made by April 30, July 31, October 31, and January 31.

SPECIAL PROVISIONS/CREDITS

Partial or full credit can be given to residents who pay municipal income taxes to a different municipality where they are employed.

Prior to 2001, if a school district is at least 95 percent coterminous with one or more municipalities, a municipal income tax can be passed for which the revenue is shared with the school district. No new levies of this type can be enacted.

SECTIONS OF OHIO REVISED CODE

Chapter 718.

MUNICIPAL INCOME TAX

RESPONSIBILITY FOR ADMINISTRATION

Municipality imposing the tax or a central collection agency representing various municipalities.

HISTORY OF MAJOR CHANGES

- 1946 • Toledo enacted first tax.
- 1957 • General Assembly enacted Uniform Municipal Income Tax Law establishing wide regulations.
- 1987 • Municipality prohibited from imposing a tax on intangible income. Taxes already in effect permitted through tax year 1988, unless made permanent by referendum. Two municipalities used this option and continued to tax intangible income.
- 1992 • Municipalities authorized to grant job creation credits.
- 1993 • Authorized municipal income taxes to be shared with a school district.
- 1997 • Municipalities permitted to exempt stock options.
- 1999 • Effective January 1, 2002, electric utilities made subject to tax.
 - More uniform standards established.
 - Beginning in 2001, a nonresident working in a municipality not subject to municipal income tax if the nonresident works 12 or fewer days in the municipality. The 12-day rule does not apply to professional athletes, entertainers, or their promoters.
 - Beginning in 2003, a municipality that taxes pass-through entities required to grant to 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.
 - Tax Commissioner made responsible for administration of the tax as it applies to electric companies.

MUNICIPAL INCOME TAX

- 2000 • No new joint municipal/school district taxes permitted.
- 2003 • Effective January 1, 2004, telephone companies made subject to tax. The Tax Commissioner was made responsible for administration of the tax.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

Los Angeles:

A payroll expense tax of \$33 per year is imposed on every person who is engaged in business for the first \$4,000 of payroll plus \$8.25 per year for each additional \$1,000.

San Francisco:

A 1.5 percent tax is imposed on an employer's payroll expense. Small businesses (whose tax liability does not exceed \$2,500) are exempt.

Both municipal income taxes are alternatives to the business tax. Taxpayers pay the greater of the payroll expense tax or the business gross receipts tax for each locality.

Indiana

County Adjusted Gross Income Tax:

Counties are authorized to levy a tax on resident individuals at the rate of 0.5 percent, 0.75 percent, or 1.0 percent, and on nonresidents at 0.25 percent. Eligible counties (depending on population size) may impose an additional county adjusted gross income tax at the rate of 0.15 percent, 0.2 percent, or 0.25 percent to fund construction and maintenance of a county jail. In addition, eligible counties may adopt a county adjusted gross income tax at the rate of 1.1 percent or 1.3 percent. The term of the county adjusted gross income tax is for four years, after which the rate drops to 1.0 percent.

County Option Income Tax:

Counties are authorized to impose a county option income tax which may be levied initially at 0.2 percent on resident county taxpayers and at a rate of 0.05 percent for all other county taxpayers. The rate on resident county taxpayers

MUNICIPAL INCOME TAX

increases by 0.1 percent each July 1st, until the rate equals 0.6 percent. A county income tax council may increase the rate from 0.6 percent to 1.0 percent in 0.1 percent annual increments. The rate for nonresident taxpayers is always one-fourth of the resident tax rate.

County Economic Development Income Tax:

Counties are authorized to impose a county economic development tax on residents and nonresidents employed in the county (excluding nonresidents that live in a county with an economic development income tax). The tax rate ranges from 0.1 percent to a maximum of 0.5 percent.

The total of a county's economic development tax and the adjusted gross income tax cannot exceed 1.25 percent; the economic development tax combined with the county option income tax cannot exceed 1.0 percent except under special circumstances when it could go to 1.25 percent.

Municipal Option Income Tax:

Eligible municipalities in Lake County may impose a municipal option income tax at a maximum rate of 1.0 percent on the adjusted gross income of resident taxpayers and a maximum rate of 0.5 percent on the adjusted gross income of all other municipal taxpayers.

Kentucky

Lexington-Fayette Urban County Government:

Imposes a 2.25 percent tax on income for work or services performed within the urban county. The tax is also imposed on net profits of businesses and professions conducted within the county.

Louisville and Jefferson County:

An annual license fee is imposed on wages earned by every employee and net profits of all businesses at a total rate of 2.2 percent (1.25 percent for the city of Louisville or Jefferson County, 0.2 percent for mass transit purposes; plus 0.75 percent for public school boards in Jefferson County, including Louisville). Nonresidents are exempt from the additional school board tax.

Michigan

Cities may impose a tax at the rate of 1.0 percent on residents, and 0.5 percent on nonresidents. Effective July 1, 1999 and each July 1 thereafter, Detroit's 3.0 percent maximum city tax

MUNICIPAL INCOME TAX

rate on residents is reduced by 0.1 percent until the rate reaches 2.0 percent. A corresponding reduction for nonresidents also applies. The rate for nonresidents cannot exceed one-half of the rate for corporations or residents.

New Jersey

Newark imposes a payroll tax at the rate of 1.0 percent on all employers having a payroll of more than \$2,500 per calendar quarter.

Waterfront Payroll Tax:

The Joint New Jersey-New York Waterfront Commission assesses a payroll tax of up to 2.0 percent. The tax is imposed on all employers who employ longshoremen, pier superintendents, hiring agents, and port watchmen from within the Port of New York District. The tax is computed on gross payroll with no exceptions.

New York

New York City:

A tax is imposed on residents and part-year residents of the city. Using the same filing statuses as under the state income tax, the starting point is state taxable income, with basic tax rates for tax year 2003 ranging from 2.55 percent to 3.2 percent. A 14 percent additional surcharge applies, resulting in total tax year 2003 rates ranging from 2.907 percent to 3.648 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 5.0 percent of state tax liability after nonrefundable credits. The nonresident earnings tax equals 0.25 percent of wages and self-employment earnings, after an allowable exclusion of \$3,000 which phases out when earnings exceed \$30,000.

Ohio

A flat-rate income tax can be levied up to 1.0 percent without voter approval in all cities and villages. A tax exceeding 1.0 percent may be enacted only with voter approval. The tax is imposed on wages, salaries, and other compensation of individuals and net profits of

MUNICIPAL INCOME TAX

businesses and professions received within the municipality.

Pennsylvania

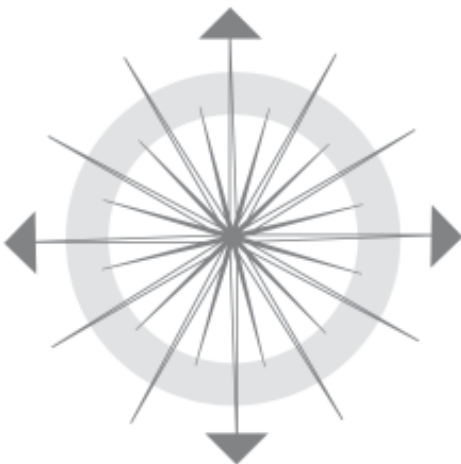
Pittsburgh:

The city imposes an earned income and net profits tax at the rate of 1.0 percent on: (1) salaries, wages, commissions, and other compensation earned by residents; (2) salaries, wages, commissions, and other compensation of nonresidents for services rendered or work done in Pittsburgh; and (3) the net profits of residents or nonresidents from businesses, professions, or other activities conducted in Pittsburgh.

Philadelphia:

The city imposes an earned income tax on salaries, wages, commissions, and net profits. The total combined resident tax rate is 4.4625 percent (city tax at 2.9625 percent, Pennsylvania Intergovernmental Cooperation Authority Tax at 1.5 percent). The total nonresident tax rate is 3.8801 percent.

Florida, Illinois, Massachusetts, Texas, and West Virginia do not allow the imposition of municipal income taxes.



MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT COMPANIES AND TELEPHONE COMPANIES

The municipal income tax for electric light companies was enacted by Substitute House Bill 483 and Amended Senate Bill 287 (123rd General Assembly). Effective with an electric company's taxable year that included January 1, 2002, Chapter 5745 requires municipal income tax reporting for an electric company or an electric light company. An "electric light company that is not an electric company" can elect to be a Chapter 5745 taxpayer for taxable years that include December 31, 2002 and later. Effective for taxable years that begin on or after January 1, 2004, telephone companies are subject to the Chapter 5745 municipal income tax.

TAXPAYER

Electric light companies and telephone companies.

TAX BASE

The Ohio municipal income tax is based upon a starting point of federal taxable income subject to certain adjustments.

1. Taxpayer's adjusted federal taxable income is first multiplied by its Ohio apportionment ratio to determine Ohio income.
2. For each municipality 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.

RATE

Chapter 5745 taxpayers pay the tax rate for each municipality which has enacted a municipal income tax, and in which the taxpayer has taxable nexus.

REVENUE (IN MILLIONS)

<u>Year</u>	<u>Total</u>
2002	\$12.3 (1)
2003	15.4 (2)

Notes: (1) Includes \$0.6 million distributed to the Municipal Income Tax Administration Fund. (2) Includes \$0.5 million distributed to the Municipal Income Tax Administration Fund.

MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT COMPANIES AND TELEPHONE COMPANIES

DISPOSITION OF REVENUE

Department of Taxation is responsible for the distribution of funds to the individual municipalities less an administrative fee.

PAYMENT DATES

The 15th day of April, June, September and December for the four quarterly estimated tax payments. Annual return due April 15, following end of the calendar year.

SPECIAL PROVISIONS/CREDITS

Any overpayment shall be credited to the next year tax liability. Refunds may be requested only if 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 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
 - The Chapter 5745 municipal income for electric light companies was enacted by Sub. H.B. 483, 123rd General Assembly to take effect on January 1, 2002 (see section 3 of H.B. 483).
 - Section 7 of S.B. 287, 123rd General Assembly amended section 3 of H.B. 483 to provide that the tax was to take effect on January 1, 2001 and that a taxpayer was first subject to the tax reporting and payment requirements for its taxable year that included January 1, 2002.
 - S.B. 287, 123rd General Assembly amended the tax to provide for a book-tax differential adjustment comparable to the franchise tax book-tax differential adjustment.
- 2003
 - H.B. 95, 125th General Assembly subjected telephone companies to the Chapter 5745 municipal income tax for taxable years beginning on or after January 1, 2004.

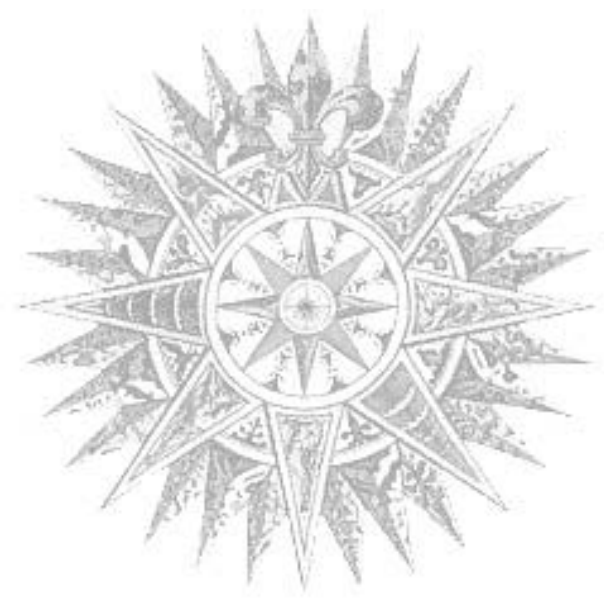
MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT COMPANIES AND TELEPHONE COMPANIES

- H.B. 95 enacted amendments to adopt the Internal Revenue Code as it existed on December 31, 2001 thus requiring the taxpayer to adjust its federal taxable income for changes to the Internal Revenue Code enacted after that date (such as I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 expense).

COMPARISONS WITH OTHER STATES (AS OF 01/04)

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

For more information on the municipal income tax, see the **MUNICIPAL INCOME TAX** section.



PROPERTY TAX – PUBLIC UTILITY TANGIBLE

TAXPAYER

All public utilities and inter-exchange telecommunications companies that are subject to the tax.

TAX BASE

In Ohio, local telephone, telegraph, electric, natural gas, pipeline, waterworks, water transportation, heating, rural electric, and railroad companies are defined as public utilities for tangible personal property tax purposes. This definition also pertains to the tangible personal property of inter-exchange telecommunications companies, which includes long distance and cellular providers.

The true value of tangible personal property is based on composite annual allowances and is assessed at 25 percent, except:

1. All personal property of pipelines, waterworks, and heating companies, electric transmission and distribution property, and local telephone property put into service before tax year 1995 is assessed at 88 percent.
2. Rural electric transmission and distribution property is assessed at 50 percent.

For information on public utility taxable real property, see the **PROPERTY TAX – REAL** section.

Apportionment Of Tax Base:

Generally, 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 (taxable cost of property, miles of wire, etc.)

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

MAJOR EXEMPTIONS

Property of municipally-owned utilities.

Certified air, water and noise pollution control equipment.

Licensed motor vehicles.

Tangible personal property under construction.

PROPERTY TAX – PUBLIC UTILITY TANGIBLE

Qualified electric generating property may qualify for a property tax reduction if in an enterprise zone.

REVENUE (IN MILLIONS)

Calendar

<u>Year</u>	<u>Taxes Levied</u>
1999	\$960.2
2000	967.7
2001	715.3
2002	746.1

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 personal property tax revenue.

PAYMENT DATES

December 31: at least one-half of total tax liability due.

June 20: balance of tax liability due.

Extensions are automatically granted to counties for 30 days because 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.

PROPERTY TAX – PUBLIC UTILITY TANGIBLE

HISTORY OF MAJOR CHANGES

- 1910 • Public utility property assessed by Tax Commission.
- 1939 • Public utility property assessed by the Tax Commissioner, a newly-created position replacing the state Tax Commission.
- 1941 • Assessment level for personal property of rural electric companies reduced from 100 percent to 50 percent. (All other public utility property assessed at 100 percent.)
- 1963 • Certified air pollution control facilities exempted.
- 1965 • Certified water pollution control facilities exempted.
- 1973 • Certified noise pollution control facilities exempted.
- 1979 • Personal property of railroads assessed at same level as non-utility tangible personal property; current assessment level is 25 percent.
- 1985 • Seventy percent of the value of production plant equipment of electric companies apportioned to the taxing district in which the property is physically located. Remaining value apportioned to each taxing district based on the percentage of the total cost of transmission and distribution property (distribution base) in each district.
- 1989 • For production equipment at an electric utility plant with a cost exceeding \$1.0 billion, the amount in excess of \$420 million is apportioned according to the distribution base.
 - True value of public utility personal property based on composite annual allowances, and taxable property of most public utilities reduced from 100 percent to 88 percent of true value.
 - True value of electric production equipment statutorily defined as 50 percent of original cost; 100 percent assessment rate retained.

PROPERTY TAX – PUBLIC UTILITY TANGIBLE

- 1995
 - All inter-exchange telecommunications company personal property assessed at 25 percent of true value. Local telephone company personal property added to the tax rolls during tax year 1995 and thereafter assessed at 25 percent of true value.
- 1999
 - Beginning January 1, 2001, electric and rural electric utility personal property, excluding transmission and distribution property, assessed at 25 percent.
 - Beginning January 1, 2001, electric production equipment situated 100 percent in the taxing district in which property is located.
- 2000
 - Beginning January 1, 2001, natural gas personal property tax assessment rates lowered from 88 percent to 25 percent.
- 2003
 - Beginning January 1, 2005, assessment rate for telephone personal property acquired before 1994 phased down from 88 percent to 25 percent over a three-year period.

COMPARISON WITH OTHER STATES (AS OF 12/03)

California

- Assessor: State Board of Equalization. (Note: Beginning in tax year 2003, the California State Board of Equalization will assess an electric generation facility if the facility has a generating capacity of 50 megawatts or more and is owned by or used by an electrical corporation.)
- Assessment: Fair (or full) market value, with special provisions for private railroad cars.
- Tax Rate: Total of local tax levies.

Florida

- Assessor: State Department of Revenue assesses railroad property. Remaining property is assessed by county officials.
- Assessment: Fair market value.
- Tax Rate: Aggregate of all local levies.

PROPERTY TAX – PUBLIC UTILITY TANGIBLE

Illinois

Assessor:	State Department of Revenue assesses railroads. Local officials assess all other utilities.
Assessment:	Thirty-three and one-third percent of true cash value. Personal property exempt from taxation.
Tax Rate:	Aggregate of county and local levies.

Indiana

Assessor:	Township officials assess the fixed property of public utility companies, while the State Board of Tax Commissioners assesses the distributable property of public utility companies.
Assessment:	100 percent of true cash 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:	Kentucky Revenue Cabinet.
Assessment:	Fair cash value.
Tax Rate:	State rates per \$100 of assessed value: 13.3 cents on real property, 45 cents on tangible personal property and 0.15 cents on telephonic equipment. Local rates may apply. The Railroad Revitalization and Regulatory Reform tax rate for intrastate railroads is 23.49 cents per \$100 of assessed value, while the aggregate of state and local levies is 66.98 cents per \$100 of assessed value.

Massachusetts

Assessor:	Municipal boards of assessors are responsible for assessing all property; however, certain utility property is determined and certified by the State Tax Commissioner of Revenue.
Assessment:	Fair cash value.
Tax Rate:	Subject to state, county and local levies.

PROPERTY TAX – PUBLIC UTILITY TANGIBLE

Michigan

Assessor:	Certain public utilities (railroad, telegraph, and telephone) are assessed by the State Board of Assessors. All other utilities are assessed by local officials.
Assessment:	Fifty percent of true cash value.
Tax Rate:	Average rate of taxation upon other commercial, industrial and utility property.

New Jersey

Assessor:	Division of Taxation assesses railroad property; local officials assess all telephone, telegraph, and messenger companies' property.
Assessment:	True cash value for railroad property; otherwise property is assessed at its taxable value. Telephone, telegraph, and messenger companies are specially assessed (see below).
Tax Rate:	Aggregate of all local levies; personal property of telephone, telegraph and messenger companies is taxed at the general real property tax rate of the taxing district location; state tax rate is 4.75 percent of true value for railroad property.

New York

Assessor:	Primarily local officials with state involvement in special franchise areas. Separate assessment for railroads. Personal property is exempt.
Assessment:	Determined locally based on classification of property.
Tax Rate:	Aggregate of all local levies; limitations are imposed.



PROPERTY TAX – PUBLIC UTILITY TANGIBLE

Ohio

Assessor:	Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies.
Assessment:	Most public utility personal property is assessed at either 25 percent or 88 percent of true value with heating, pipeline, waterworks and electric transmission and distribution personal property assessed at 88 percent and rural electric transmission and distribution personal property assessed at 50 percent.
Tax Rate:	Aggregate of all local levies.

Pennsylvania

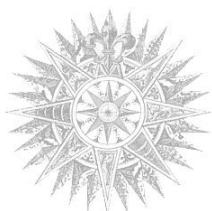
Assessor:	State Department of Revenue.
Assessment:	Public utility realty tax is based on fair market value. This tax is in lieu of local real estate taxes.
Tax Rate:	A variable tax rate is calculated every year.

Texas

Assessor:	Local tax officials.
Assessment:	Utility unit values based on one or more of the cost, income or market approaches.
Tax Rate:	Aggregate of all local levies.

West Virginia

Assessor:	West Virginia Board of Public Works.
Assessment:	All property is assessed at 60 percent of its fair market value.
Tax Rate:	Sum of state, county, municipality and school district levies; limitations imposed.



PROPERTY TAX – REAL

TAXPAYER

All real property owners unless specifically exempt.

TAX BASE

The taxable base is 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. Equalization adjustments are made in the third year following reappraisal.

RATES

Real property tax rates vary with taxing jurisdiction. 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 (e.g., county, township, municipal corporation, school district).

The 2002 average statewide gross tax rate was 81.09 mills. Application of “tax reduction factors” resulted in an average statewide effective tax rate of 52.52 mills.

The Ohio Constitution prohibits governmental units from levying property taxes which in total exceed 1.0 percent of true value unless approved by the voters. Ohio law further limits property taxes to 1.0 percent of taxable value; this provision is known as the 10-mill limitation.

MAJOR EXEMPTIONS

State law has implemented the following exceptions:

Land devoted exclusively to commercial agricultural use may be valued according to current use instead of “highest and best” use.

Certified air, water and noise pollution control facilities are exempt.

Property of governmental and private institutional owners is exempt on grounds of ownership and/or usage under a general legislative authority for exempting

PROPERTY TAX – REAL

real property (examples include schools, hospitals, churches, and municipal corporations).

Tax abatements are granted by county, township, and municipal governments on qualified real property for a designated time period for the purposes of economic and community development.

REVENUE (IN MILLIONS)

Tax Year	Property Tax Relief		
	Taxes Charged Before Relief (1)	Percentage Rollback (2)	Homestead Exemption
1999	\$8,129.3	\$922.3	\$66.3
2000	8,697.8	991.0	65.0
2001	9,183.4	1,035.1	64.0
2002(3)	9,807.9	1,123.5	63.7

Notes: (1) Taxes charged represent real estate and public utility real property taxes after tax reduction factors but before the 10 percent and 2.5 percent rollbacks and homestead exemption. (2) Percentage rollback represents the 10 percent rollback for all real property, including public utility real property, and the 2.5 percent rollback for residential real property. (3) Percentage rollback and homestead exemption figures are estimated.

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 approximately two-thirds of the total real property tax revenue.

PAYMENT DATES

December 31: full amount of tax (or one-half) is due; June 20: balance due.

Each county is permitted, but is not required, to extend the aforementioned due dates for the taxpayer's payments of the tax to January 31 and to July 20, respectively, because 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.

PROPERTY TAX – REAL

SPECIAL PROVISIONS/CREDITS

If a school district has a total voted and unvoted current expense millage exceeding 20 mills, its effective millage after application of reduction factors (see below) cannot fall below 20 mills. If the initial calculation of the factors does 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 2.0 mills.

Forest land devoted exclusively to forestry or timber growing may be taxed at 50 percent of the local rate.

Three major state laws allow property tax credits (direct reductions of tax rather than reductions of value). These include the percentage rollback, homestead exemption, and tax reduction factor.

Percentage Rollback:

State law grants tax relief in the form of a 10 percent reduction in each taxpayer's real property tax bill. In addition to the 10 percent rollback, a 2.5 percent rollback is granted on real property taxes for owner-occupied dwellings. The state reimburses local governments for these tax losses.

Homestead Exemption:

This tax relief is granted to qualified low income, elderly and disabled homeowners, as well as to certain surviving spouses. The tax reduction is reimbursed to local governments by the state. The tax reduction under the homestead exemption is equal to the gross millage rate multiplied by a reduction in taxable value determined by the income class of homeowner. The income classes are increased based on inflation factors to determine eligibility. Also, taxable value reductions were indexed. In 2002, the dollar amount of reductions was also indexed. For tax year 2003, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse	Reduce Taxable Value By the Lesser of
\$12,800 or less	\$5,200 or 75 percent of taxable value
12,801 - \$18,700	3,200 or 60 percent of taxable value
18,701 - 24,700	1,000 or 25 percent of taxable value
24,701 and over	-0-

PROPERTY TAX – REAL

Tax Reduction Factor:

Percentage reductions are applied to taxes levied against real property after reappraisal or update. 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. 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. Revised reduction factors are then calculated and applied. The computation of these percentage reductions is a rather complex process. However, the basic effect is to eliminate increases in revenue from voted taxes which might occur when existing real property in a taxing unit is reappraised or updated.

SECTIONS OF OHIO REVISED CODE

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

- 1851 • New constitution required taxation of all property by uniform rule (but expressly authorized exemption for certain property classes, e.g., churches, schools, etc.).
- 1902 • Eliminated state property tax levies for general fund.
- 1910 • Culmination of reform movement led to creation of single State Tax Commission to supervise local property tax administration.
- 1925 • First statutory requirement for six-year reappraisal cycle enacted.
- 1927 • Statute set aggregate tax limit of 15 mills on each dollar of tax valuation except for taxes approved by voters (1.0 percent of true value since 1911).

PROPERTY TAX – REAL

- 1931 • Constitutional amendment limited levies without voters' approval to 1.5 percent of true value.
- 1933 • Constitution set limit of 1.0 percent of true value on non-voted levies.
- 1934 • Statute reduced aggregate tax limit from 15 mills to 10 mills for non-voted levies.
- 1939 • State Tax Commission replaced by: Department of Taxation; the Board of Tax Appeals, to supervise real property tax administration; and a Tax Commissioner, who assumed functions with respect to taxation of public utility property.
- 1965 • First statutory requirement that real property be assessed at no more than 50 percent of true value, with actual percentage to be established by uniform rule of Board of Tax Appeals.
- 1971 • Enactment of 10 percent rollback and homestead exemptions.
- 1972 • BTA rule set tax value at 35 percent of true value to be implemented by all counties as they complete their sexennial reappraisal cycle, with annual adjustments to maintain the 35 percent level.
- 1973 • Top income bracket of the homestead exemption increased from \$8,000 to \$10,000.
- 1974 • Valuation of agricultural property to be based upon current use (1973 constitutional amendment).
- 1975 • Homestead exemption extended to permanently and totally disabled homeowners.
- 1976 • Real property tax credits provided; real property valuations updated every three years; state Department of Tax Equalization created.

PROPERTY TAX – REAL

- Definition of “total income” for homestead exemption amended to exclude disability benefits paid by the Veterans Administration and other branches of the armed services, and Social Security income increases occurring after initial application for homestead exemption.
 - The limit of each homestead exemption income bracket increased by \$1,000 (except the highest bracket).
- 1978
- Effective June 30, 1978, the due date for payment of real property taxes (full amount or one-half of it) changed from December 20 to December 31.
- 1979
- A 2.5 percent tax rollback on residential property granted.
 - Upper income limit of the homestead exemption set at \$15,000 and three \$5,000 income brackets created.
 - Constitutional amendment passed effective for 1980 that allowed separate percentage reduction factors applied to two classes of real property (combined value of residential and agricultural property and value of all other real property).
- 1983
- Department of Tax Equalization eliminated and all of its functions transferred to the Department of Taxation.
- 1986
- The limit of each homestead exemption income bracket increased by \$1,500 beginning in tax year 1988.
- 1991
- Homestead exemption extended to surviving spouses of homestead exemption recipients (1990 constitutional amendment).
- 1995
- The limit of each homestead exemption income bracket increased by \$4,300 beginning in tax year 1995.
- 1998
- Treasurers in counties with a population of at least 200,000 permitted to issue tax certificates on delinquent real property.

PROPERTY TAX – REAL

- 1999
- The limit of each homestead exemption income bracket increased by 10.6 percent for tax year 1999. The brackets (tax year 2000) and the taxable value reductions (tax year 2002) indexed annually based on inflation.
 - Certain manufactured homes that would otherwise be subject to the manufactured home tax converted to, and taxed as, real property.
 - Each board of county commissioners permitted to charge a lower real estate transfer fee for homestead exemption qualifiers than for other taxpayers.
- 2003
- Definition of exemption for land devoted exclusively to agricultural use expanded to include land used for conservation purposes to abate soil erosion, provided that these practices do not comprise more than 25 percent of the land otherwise qualified as exclusively devoted to agricultural use.



PROPERTY TAX – REAL

COMPARISONS WITH OTHER STATES (AS OF 12/03)

The complexity of real estate laws prevents a simple rate comparison among states. However, the table below highlights the property tax liability on the median residential home value in the largest city in each of the thirteen selected states for 1999.

Note: (Data is sorted by descending value on “Property Tax on Median Home.”)

State / City	Median Home Taxable Value in Largest City⁽¹⁾	Effective Tax Rate, per \$100⁽²⁾	Property Tax On Median Home⁽³⁾
New Jersey (Newark)	\$119,000	\$3.12	\$3,713
Illinois (Chicago)	132,400	1.86	2,463
California (Los Angeles)	221,600	1.07	2,371
Massachusetts (Boston)	190,600	1.11	2,116
Texas (Houston)	79,300	2.62	2,078
Florida (Jacksonville)	87,800	1.97	1,730
New York (New York City)	211,900	0.77	1,632
Ohio (Columbus)	101,400	1.59	1,612
Pennsylvania (Philadelphia)	59,700	2.64	1,576
Indiana (Indianapolis)	98,500	1.50	1,478
Michigan (Detroit)	63,600	2.23	1,418
Kentucky (Louisville)	82,300	1.17	963
West Virginia (Charleston)	101,400	0.91	923

Notes: (1) Source: Department of Finance and Revenue, District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison(2000)*, 1999 edition, published July 2000, Table 5. (2) Source: Table 4, *Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison(2000)*. (3) Source: calculations by the Ohio Department of Taxation.



PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

TAXPAYER

Taxpayers who own and use tangible personal property in business in Ohio.

TAX BASE

The tax is applied to tangible personal property used in business in Ohio (machinery, equipment, inventories). Business land and buildings are taxed under the real property tax.

Taxable value is determined by applying an assessment percentage to the true value of tangible property. The percentage used to determine taxable value is 25 percent for all property except inventories, which will be assessed at 23 percent for 2004. The inventory assessment percentage will be phased-out by reducing the percentage by two percent in tax years 2005 and 2006 if certain growth conditions are met (growth conditions are removed beginning in tax year 2007). Beginning in tax year 2007, the inventory assessment percentage will be reduced two percent each year until it is phased out.

RATES

Tax millage rates vary with the taxing jurisdiction. The rates applied to tangible personal property values are the full voted and unvoted millage rates. The 2002 average effective tax rate was 75.91 mills.

MAJOR EXEMPTIONS

The first \$10,000 of taxable value for each taxpayer.

Property of any level of government, school, college, church, and property owned and not used in business.

Licensed motor vehicles and aircraft.

Personal property used in agriculture.

Patterns, jigs, dies, and drawings used in business that are held for use and not for sale.

Certified air, water, and noise pollution control equipment and facilities.

PROPERTY TAX TANGIBLE PERSONAL PROPERTY

Property of insurance companies, financial institutions, and dealers in intangibles used in their business is exempt unless the equipment is leased to others.

Property in a public recreational facility owned by a political subdivision.

Certified energy conversion facilities (property used to convert from the use of natural gas or fuel oil to other fuels).

Certified thermal efficiency improvement facilities (property used for recovery and use of waste heat or steam).

Certified solid waste energy conversion facilities (property used to convert solid waste from industrial operations into energy).

All inventories in foreign trade zones established prior to January 1, 1992 and only inventories exempt under federal law in foreign trade zones established on or after January 1, 1992.

Property shipped from outside Ohio and held in Ohio for storage only.

Leased property used exclusively for agricultural purposes.

Machinery and equipment designed for agricultural use while in the inventory of a merchant.

Qualified personal property located in an enterprise zone.

Machinery and equipment while under installation or construction in a plant or facility and not capable of operation.

Property owned by a port authority and leased to a railroad (partially exempt for a period of 10 years).

Property used in the production of grape juice or wine and not held in labeled containers in which it will be sold.

PROPERTY TAX TANGIBLE PERSONAL PROPERTY

REVENUE (IN MILLIONS)

Calendar Year	Net Taxes Levied	\$10,000 Exemption Reimbursements
1999	\$1,644.8	\$91.8
2000	1,720.7	93.6
2001	1,802.5	94.5
2002	1,768.3	95.6

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 pays to the county treasurer one-half of the tax liability on or before April 30 and the remainder by September 20.

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

SPECIAL PROVISIONS/CREDITS

An exemption of the first \$10,000 of taxable value on all tangible personal property is allowed; the local revenue loss is reimbursed by the state but is being phased out over 10 years, beginning in tax year 2004.

Companies may receive up to a 75 percent exemption for no more than 10 years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas.

Exemptions may exceed these levels if approved by affected school districts or if the property is located at a site where the taxpayer performed a qualified environmental remediation.

All enterprise zones are created by local authorities. A company seeking to receive an exemption must submit an investment proposal to the local authority that created the zone where the operation will be located.

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

SECTIONS OF OHIO REVISED CODE

Chapters 319, 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

- 1931 • Tangible property separated from real property and intangible property; tangible property tax limited to property used in business (based on 1929 amendment to Ohio Constitution).
- 1967 • Assessment percentages applied to property used in agriculture gradually reduced from 50 percent until property is exempt in 1973.
• Assessment percentages applied to inventories and restaurant property gradually reduced from 70 percent to 50 percent by 1971.
- 1971 • Assessment percentages for inventories gradually reduced from 50 percent to 45 percent by 1974.
• Assessment percentages for furniture and fixtures gradually reduced from 70 percent to 50 percent by 1976.
- 1976 • Starting in 1977, whenever annual revenue growth conditions were satisfied, assessment percentages reduced by 2.0 percentage points each year until reaching 35 percent. (Revenue growth 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 • Revenue growth conditions removed to allow annual reductions in inventory assessment percentages for inventories to the 35 percent level.

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

- Credit against the corporation franchise or personal income tax allowed for certain tangible property taxes paid on manufacturing machinery and equipment, effective through 1993.
- 1983
- Starting in 1984, whenever annual revenue growth conditions were satisfied, assessment percentages for all tangible property, other than inventories, reduced by one percentage point each year until reaching 25 percent.
 - Exemption enacted for first \$10,000 of taxable value.
- 1985
- Growth condition removed from law — annual reductions made automatically until reaching 25 percent level in 1993.
- 1992
- Definitions of real and personal property revised.
- 1994
- Enterprise zone program extended to December 31, 1997 and maximum percentage for tax exemptions reduced.
- 1997
- Enterprise zone program extended to June 30, 1999.
- 1999
- Beginning tax year 2002, assessment percentage on inventories reduced one percent annually if growth conditions were met (growth conditions removed beginning in tax year 2007; 2004 rate is 23 percent).
 - Beginning tax year 2002, the assessment percentage on electrical generating equipment reduced from 100 percent to 25 percent.
 - Enterprise zone program extended to June 30, 2004.
 - Enterprise zone program extended to certain qualified electric generating peaking units.
- 2003
- Beginning tax year 2003, the late filing penalty of one-half of the \$10,000 exemption was repealed.
 - Beginning tax year 2003, reasonable cause can be considered in the abatement of a late payment penalty.
 - Beginning tax year 2004, taxpayers with a

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

taxable value of less than \$10,000 are no longer required to file a return. The reimbursement of the revenues lost due to the exemption will be phased out over a 10-year period.

- Effective for tax years 2005 and 2006, the inventory assessment percentage will be reduced by 2.0 percent each year if collections increase.
- Effective for tax year 2007, the inventory assessment rate will be reduced by 2.0 percent automatically.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

California

Tangible personal property assessed at fair market value. All property taxed unless expressly exempt by law (i.e., inventories). Property is taxed at the aggregate of all lawful local levies, however, rate is fixed to meet budgetary necessities. Maximum rate cannot exceed 1.0 percent of the full cash value of the property.

Florida

Tangible personal property assessed at full cash, or market value. Inventories are exempt from taxation. Property is taxed at the aggregate of all lawful local levies.

Illinois

Tangible personal property is exempt from taxation.

Indiana

Tangible personal property assessed at 100 percent of true value unless specifically exempt. Property is taxed at the aggregate of all lawful state and local levies. Total state rate is limited to 33 cents per \$100 of valuation. Total rate in all incorporated areas is limited to 0.6667 cent(s) while total rate in all unincorporated areas is limited to 0.4167 cent(s) on each \$100 of valuation.

Kentucky

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

Massachusetts

Tangible personal property assessed at fair cash value

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

determined as of January 1 of each year. All property taxed unless expressly exempt by law. Property is taxed at the aggregate of all lawful state and local levies. Rate cannot exceed 2.5 percent of cash value unless approved by two-thirds of voters.

Michigan

Tangible personal property assessed at 50 percent of true cash value. All property taxed unless expressly exempt by law (i.e., inventories). Tax rate equals the aggregate of all lawful state and local levies and personal property not used to produce income. However, total rate cannot exceed 15 mills, or 1.5 percent, on each dollar of assessed value unless the voters approve a higher rate. There is a state education tax levy of 6.0 mills imposed on all property.

New Jersey

Tangible personal property assessed at a variable rate of true value that is dependent upon a yearly analysis of the average assessment ratio of real property. In general, tangible personal property is not subject to taxation in New Jersey. However, business tangible personal property, exclusive of inventories, is subject to local taxation if used in the business of local telephone, telegraph and messenger systems, companies, corporations, or associations that were subject to the public utilities gross receipts tax as of April 1, 1997.

New York

Tangible personal property is exempt from taxation.

Ohio

Tangible personal property assessed at 25 percent of its true value, except inventory, which is assessed at 23 percent of true value. Property is taxed at the aggregate of all lawful local levies.

Pennsylvania

Tangible personal property is exempt from taxation.

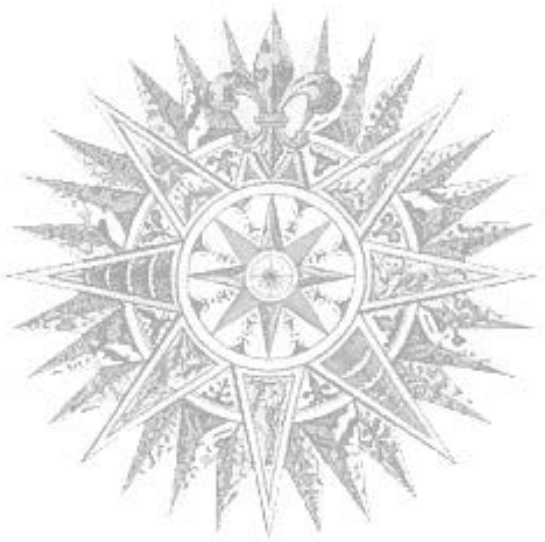
Texas

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

PROPERTY TAX – TANGIBLE PERSONAL PROPERTY

West Virginia

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



SALES AND USE TAX – COUNTY AND TRANSIT AUTHORITY

TAXPAYER

(See **SALES AND USE TAX – STATE** section.)

TAX BASE

County sales tax

Additional county sales tax
(for special purposes)

Transit authority sales tax

Sales and rental of
personal property, and
selected services

RATES

County sales tax

0.25 percent, 0.5 percent,
0.75 percent, or 1.0
percent

Additional county sales tax
(for special purposes)

0.25 percent or 0.5 percent

Transit authority sales tax

0.25 percent, 0.5 percent,
0.75 percent, 1.0 percent,
1.25 percent, or 1.5
percent

MAJOR EXEMPTIONS

(See **SALES AND USE TAX – STATE** section.)

REVENUE (IN MILLIONS)

Fiscal Year	County	Transit Authority	Adm. Fund	Total⁽¹⁾
2000	\$1,044.9	\$262.9	\$13.3	\$1,321.1
2001	1,068.8	270.0	13.6	1,352.4
2002	1,073.0	261.6	13.5	1,348.1
2003 ⁽²⁾	1,115.7	271.2	14.1	1,401.0

Notes: (1) Figures are from the Office of Budget and Management and represent actual distributions of the county and transit authority sales and use tax during the fiscal years shown. (2) As of December 31, 2003, 88 counties and seven transit authorities levied the tax.

SALES AND USE TAX – COUNTY AND TRANSIT AUTHORITY

DISPOSITION OF REVENUE

County sales tax:

County general revenue fund and administrative expenses.

Additional county sales tax:

Allocated to one or more of the following: county general fund; 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; and conservation easements.

Transit authority sales tax:

All transit purposes of the transit authority and administrative expenses.

PAYMENT DATE

(See **SALES AND USE TAX – STATE** section.)

SPECIAL PROVISIONS/CREDITS

1. A total of 1.0 percent of the county tax, 1.0 percent of the additional county tax, and 1.0 percent of the transit authority tax are credited to the Local Sales Tax Administrative Special Fund for use by the Tax Commissioner in administration.
2. Qualified municipal corporations and townships (see R.C. 5739.101 - 5739.105) are authorized to levy a resort area tax at the rate of 0.5 percent, 1.0 percent or 1.5 percent on gross receipts from general sales or intrastate transportation primarily to and from the resort area. Three eligible jurisdictions currently impose the tax:
Kelley's Island (1.5 percent), village of Put-in-Bay (1.5 percent), and the township of Put-in-Bay (1.5 percent).
The Tax Commissioner administers this tax.

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.

SALES AND USE TAX — COUNTY AND TRANSIT AUTHORITY

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

County sales taxes:

- 1967 • General Assembly granted power to counties to levy the county sales tax at a 0.5 percent rate.
- 1969 • Lake County was the first county to levy the county sales tax.
- 1982 • Counties authorized to levy the county sales tax at 0.5 percent or 1.0 percent.
- 1986 • Counties authorized to levy the additional county sales tax at 0.5 percent for specified purposes subject to voter approval.
- 1987 • County sales tax or additional county sales tax authorized at 0.25 percent increments.
- 1992 • A county 9-1-1 system added to the list of specified purposes for which a county may enact the additional county sales tax.
- 1999 • Conservation easements included in the list of specific purposes for which the additional county sales tax may be levied.
- 2003 • A board of commissioners in a county with a population of one million persons or more authorized to adopt a resolution on or before August 30, 2004 to levy an excise tax on sales of food and beverages for consumption on the

SALES AND USE TAX – COUNTY AND TRANSIT AUTHORITY

premises where sold to provide revenue for constructing, improving, expanding, equipping, financing, or operating a convention center.

Transit authority sales tax:

- 1974 • General Assembly authorized transit authorities to levy the tax, subject to voter approval, at the following rates: 0.5 percent, 1.0 percent, or 1.5 percent.
- 1975 • Greater Cleveland Regional Transit Authority adopted the tax at a 1.0 percent rate.
- 1980 • Miami Valley RTA and Central Ohio Transit Authority adopted the tax at a 0.5 percent rate.
- 1985 • The 0.5 percent rate for Central Ohio Transit Authority expired.
- 1987 • Transit authority tax authorized at 0.25 percent increments.
- 1988 • LakeTran RTA adopted tax at a 0.25 percent rate.
- 1989 • Central Ohio Transit Authority adopted tax at a 0.25 percent rate.
- 1991 • Summit County Metro Transit Authority adopted tax at a 0.25 percent rate.
- 1997 • Stark Area Regional Transit Authority adopted tax at a 0.25 percent rate.
- 2002 • Portage Area RTA adopted tax at a 0.25 percent rate.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

(See **SALES AND USE TAX – STATE** section.)

