

Taxation Overview for Small Businesses

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Department of
Taxation

Introduction to ODT Business Taxes

- Sales & Use Tax
- Wireless 9-1-1 Charge/Fee
- Employer Withholding Tax (EWT)
- School District Withholding Tax (SDWT)
- Commercial Activity Tax (CAT)
- Financial Institution Tax (FIT)
- Petroleum Activity Tax (PAT)
- Notification/Registration Requirements with Other State of Ohio Agencies
- Available Resources/Contact Information



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Transforming Ohio: Tax Law

New 50% Small Business Tax

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Sales and Use Tax

What Is Sales Tax?

- Sales tax is a "trust" tax
- A "trust" tax means the consumer has entrusted this tax to retailers with the understanding that it will be reported and paid to the state of Ohio in a timely manner.
- Must be collected on taxable retail sales to Ohio customers by all Ohio retailers (vendors) and those out-of-state retailers (sellers).
- The current state rate is 5.75% and counties and regional transit authorities may each levy sales tax increments of .25% up to 1.5

Who Must Register?

- Every Ohio retailer (vendor) must obtain a vendor's license, collect sales tax, file tax returns with payment of tax collected and maintain complete records of transactions.

Sales and Use Tax

Who is Exempt from Sales Tax?

- Most entities that are granted 501 (c)(3) status by the IRS (e.g. most churches, non-profit and charitable organizations)
- Governmental agencies

Sales and Use Tax

Types of Vendor's Licenses

Regular County Vendor's License

- Ohio vendors making sales from a fixed place of business and vendors that make sales online or by catalog must obtain this type of license.
- Vendors of tangible personal property and certain services must have one regular vendor's license for each fixed sales location.
- Registration can be completed electronically via Ohio Business Gateway (OBG), at the County Auditor's Office, for the paper application, ST 1, visit the Ohio Department of Taxation's website .

Transient Vendor's License

- This type of license is required to make sales from a non-fixed location such as a fair, an exhibition or a trade show, or a vendor traveling to the customer's location to sell taxable items.
- These licenses are valid throughout Ohio and allow a vendor to make sales in all 88 counties in Ohio. Registration can be completed electronically via OBG, for the paper application, ST 1, visit the Ohio Department of Taxation's website.



Sales & Use Tax

Business Links

- [Ohio Business Gateway](#)
- [File Other Business Taxes](#)
- [Information Releases](#)
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REMINDER:

Monthly sales tax returns are due by the 23rd of the following month from the period filed.

Example: January through January 31 return is due on February 23rd.

Semi annual sales tax returns are due the following month from the end of the six month period.

Example: January through June return is due on July 23rd and July through December return is due on January 23rd.

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Sales and Use Tax

Services requiring a regular vendor's license are as follows:

- Fabrication, installation, repair and/or storage of tangible personal property;
- Hotel or similar room rentals;
- Laundry and dry cleaning (excludes coin-operated machine sales);
- Personal care services, including skin care, application of cosmetics, manicures, pedicures, hair removal, tattoos, body piercing, tanning, massage and other similar services. It does not include hair care, cutting, coloring or styling. Note: If no fixed place of business, these services require a transient vendor's license;
- Physical fitness facility service (membership fees and sales of tangible personal property);



Sales and Use Tax

Services requiring a regular vendor's license are as follows:

- Towing of motor vehicles, including those wrecked, disabled, or illegally parked;



- Washing (except coin-operated), cleaning, waxing, polishing or painting of motor vehicles;
- Transportation of persons within Ohio (except by public transit systems or commercial airlines);
- Landscaping, lawn care & snow removal services;
- Building maintenance & janitorial services.



Sales and Use Tax

Filing Requirements

- The Universal Sales Tax return (UST 1) is used for both the county and transient licenses.
- The filing frequency is determined by ODT and is stated on the Registration Confirmation notice.

Monthly Filers

- The UST 1 must be electronically filed and paid by the 23rd day of the month following the reporting period, for all tax collected during the preceding month. If the 23rd is on a weekend or holiday, the due date is the next business day.

Sales and Use Tax

Semi-annual Filers

- **Vendors whose tax liability is less than \$1,200 per six-month period may file and pay their sales taxes semi-annually. Such returns are due by the 23rd day of the month following the close of each semi-annual period for the tax collected during the preceding six-month period.**
 - **Jan. 1 through June 30- return and payment are due on or before July 23rd.**
 - **July 1 through Dec. 31 - return and payment are due on or before Jan. 23rd.**

Returns must be filed even if no sales are made or no tax is due.

Sales and Use Tax

CALENDAR

SUN	MON	TUES	WED	THURS	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Sales and Use Tax

Mandatory Electronic Filing

- Each person holding a vendor's license, regardless of sales volume, is required to file a UST1 return electronically. ODT offers two ways to file a sales tax return electronically.

The Ohio Business Gateway

- OBG allows taxpayers to electronically file their UST 1 return.
- OBG accepts electronic checks and credit cards for online payment and also allows taxpayers the option to pay with a paper check.

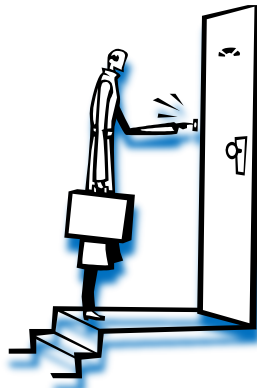
TeleFile

- Vendors with a regular (single) county vendor's license beginning with 01-88 may electronically file their UST 1 returns over the phone.
- Telefile users can remit payment by electronic check or credit card.
- To utilize the Ohio Telefile system, a vendor must have their vendor's license number and their two-digit TIN available. This information can be found on the Registration Confirmation issued when the vendor's license was activated.
- To use this option please call 1-800-697-0440.

Sales and Use Tax

Exemptions

- All sales are presumed to be taxable unless it is specifically exempted or excluded by Ohio statute.
- The most common reason a business is able to purchase an item exempt from sales tax is because the business intends to resell the item to the general public.



Sales and Use Tax

Exemptions

- There are various exemption certificates available depending on the nature of your business and the item or service that is being claimed as exempt.
 - STEC-B (Sales Tax Exemption Certificate – Blanket form) is the most common exemption certificate used.
 - You provide the exemption certificate to the vendor/seller/supplier and the vendor is relieved from collecting sales tax from you for this purchase.
- There are other exemption certificates available and can be found on our ODT website.

Sales and Use Tax

Tips for Filing Your Sales Tax Return

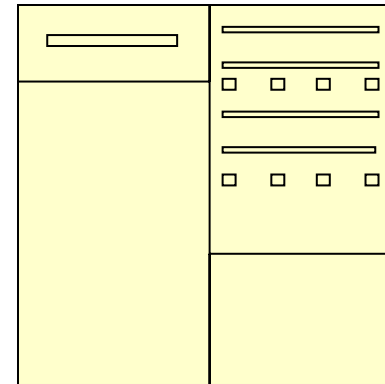
- You must know your gross sales, exempt sales, and the amount of tax collected for the tax period.
- You must know the county where such sales were made or services provided.
- You must have your bank or credit card information that you will use to pay your sales tax liability.

Sales and Use Tax

Recordkeeping Tips

- You must maintain complete and accurate records. These records include purchase invoices, bills of lading, sales invoices, point of sale tapes, bank deposit receipts, sales journals, exemption certificates (keep in alphabetical order).

- Keep records for at least 4 years.



Sales and Use Tax

CONSUMER'S USE TAX

What Is Consumer's Use Tax?

- Consumer's use tax is a tax on the storage, use or other consumption of tangible personal property and certain taxable services in Ohio. These include purchases made from both Ohio and out-of-state sellers.
- In general, if you have paid Ohio sales tax on purchases of taxable tangible personal property or taxable services, then you do not owe Ohio use tax.

How Do I Remit Consumer's Use Tax Directly to Ohio?

- The Universal Use Tax return (UUT 1) is used for reporting and remitting use tax.
- Businesses must register for a Consumer's Use Tax account if their annual liability exceeds \$1,000.
- Registration and filing are available on OBG.

Sales and Use Tax

Sellers Use Tax

- **Sellers Use Tax allows an out-of-state seller/vendor/supplier to collect Ohio sales tax from their Ohio customers.**
- **Every seller of tangible personal property or taxable services who has either an employee or a location in Ohio is required to register for a Sellers Use Tax account.**
- **Even if a seller has no legal obligation to collect Ohio sales tax for their sales to Ohio customers, many out-of-state sellers register for this type of account as a convenience to their Ohio customers.**
- **File form UST 1**

9-1-1 Charge/Fee

What is 9-1-1 Charge?

- The 9-1-1 charge is imposed on the consumer of wireless calling service. The 9-1-1 charge applies to purchases of post-paid and prepaid wireless calling service. Funds received from the 9-1-1 charge are used by countywide 9-1-1 systems to provide and maintain countywide wireless enhanced 9-1-1 service.

Who is subject to the 9-1-1 Charge?

- The fee is imposed on the consumer of the wireless calling service.

How to register for a 9-1-1 Account?

- Electronic registration is available online through the Ohio Business Gateway. Paper registration forms can be requested by calling 1-888-405-4039.

Who is responsible for collecting and remitting the 9-1-1 Charge?

- Retailers (vendors) must collect and remit the 9-1-1 charge on sales of prepaid wireless calling service at the point of sale. Wireless service providers and resellers add the 9-1-1 charge to the bills for post-paid wireless calling service with an Ohio billing address and remit the 9-1-1 charge to the Ohio Department of Taxation.

Filing Requirements

- You are required to file the 9-1-1 return electronically on the Ohio Business Gateway. Payments may be made electronically and may be submitted through the Ohio Business Gateway. A paper check payment is also available. The return and payment are due by the 23rd of each month, following the reporting period.

Withholding Taxes

What Is Employer Withholding Tax?

- Amount withheld by employer (business) from an employee's paycheck for Ohio Individual Income Tax

What Is School District Withholding Tax?

- Amount withheld by employer (business) from an employee's paycheck for Ohio School District Income Tax

Who Must Register and Withhold?

- All employers maintaining an office or transacting business in Ohio who hire people to work
- Register by using form IT 1
- Register by using OBG at business.ohio.gov

Withholding Taxes

Filing Requirements

- **Ohio Form IT 4 Ohio Employee's Withholding Exemption Certificate**
- **Ohio Form IT 501**
 - **Quarterly payments**
 - **less than \$2,000;**
 - **Due the last day of the following month that the period ends**
 - **Monthly payments**
 - **greater than \$2,000**
 - **Due the 15th of the following month after the monthly period ends**
- **EFT (Electronic Fund Transfer)**
 - **Payments greater than \$84,000 remit by EFT within three banking days**
 - **Payments greater than \$100,000 remit by EFT next banking day**



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Employer Withholding Taxes

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Employer Withholding: Table of Contents

With rare exception, employers that do business in Ohio are responsible for withholding Ohio individual income tax from their employees' pay. Ohio employers also have the responsibility to withhold school district income tax from the pay of employees who reside in a school district that has enacted such a tax.

More details on employer withholding are available below.

Key resources

- [General guidelines](#) — An introduction to Ohio employer withholding responsibilities.
- **2014 withholding resources:**
 - [Income tax withholding instructions \(2014\)](#)
 - [School district tax rates \(2014\)](#)
 - [School district income tax withholding instructions \(2014\)](#)
 - [Due dates & payment schedule \(2014\)](#)

Withholding Taxes

Ohio Form SD 101

- **Ohio form SD 101 Payment of School District Income Tax.**
- **Due dates are the same as the Ohio Income Tax Withheld.**
 - **Quarterly payments**
 - **less than \$2,000;**
 - **Due the last day of the following month that the period ends**
 - **Monthly payments**
 - **greater than \$2,000**
 - **Due the 15th of the following month after the monthly period ends**

Withholding Taxes

Annual Reports

- **Ohio Form IT 941 - Employer's Annual Reconciliation of Income Tax Withheld**
 - Due by Jan. 31st of the next calendar year
- **Ohio Form IT 942 - Employer's Quarterly Annual Reconciliation of Income Tax Withheld**
 - Due by last day of month after each calendar quarter
- **Ohio Form SD 141 - School District Employer's Annual Reconciliation of Tax Withheld**
 - due by the Jan. 31st of the next calendar year

Withholding Taxes

Tips For Filing Withholding Tax Returns

- If an error is made in filing a quarterly or monthly Form IT 501 or SD 101 adjust on next filed IT 501 or SD 101.
 - If you have filed IT 941 or SD 141 (Annual Reconciliation form), you will need to file an IT 941X or SD 141X.
- W-2's and 1099's must be provided to all employees by the next January 31, that reflects wages paid and amounts withheld.
- IT- 2 Wage and Tax Statement
- You must keep your withholding records for 4 years.

Commercial Activity Tax

What is CAT?

- It is a tax on the privilege of doing business in Ohio that is measured by gross receipts.

Who is subject to the CAT?

- The CAT is paid by Ohio businesses with taxable gross receipts of greater than \$150,000 in a calendar year.
- The CAT applies to all forms of business, including sole proprietorships, partnerships, LLC's, all types of corporations, etc.
- Out-of-state businesses are also subject to CAT if they meet any of the 5 criteria below:
 - Have at least \$500,000 in taxable gross receipts in Ohio
 - Have at least \$50,000 in property in Ohio
 - Have at least \$50,000 in payroll for work in Ohio
 - Have at least 25% of their total property, payroll or gross receipts in Ohio
 - Are domiciled in Ohio

Commercial Activity Tax

Who is not subject to the CAT?

- **Nonprofit organizations;**
- **Some public utilities (telegraph company, natural gas company, pipeline company, water works company, heating company, combined company [excludes electric]) that pay the public utility excise tax;**
- **Financial institutions that pay the financial institutions tax (FIT);**
- **Insurance companies that pay the Ohio insurance premiums tax;**
- **Businesses with \$150,000 or less of taxable gross receipts (unless they are part of a “consolidated elected taxpayer”).**

Commercial Activity Tax

Who must register?

- **Ohio businesses having greater than \$150,000 in taxable gross receipts sitused to Ohio for the calendar year.**
- **Out-of-State businesses meeting any of the 5 criteria (e.g. at least \$500,000 in taxable gross receipts, etc.).**
- **Businesses are required to register for CAT within thirty (30) days of becoming subject to the tax.**
- **Registration is available electronically through OBG.**
- **Alternatively, businesses may register by submitting the CAT 1 registration form. The CAT 1 registration form is available on the Ohio Department of Taxation's website.**



Commercial Activity Tax

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Commercial Activity Tax (CAT): Table of Contents

The commercial activity tax (CAT) is an annual tax imposed on the privilege of doing business in Ohio, measured by gross receipts from business activities in Ohio. Businesses with Ohio taxable gross receipts of \$150,000 or more per calendar year must register for the CAT, file all the applicable returns, and make all corresponding payments. A variety of resources on the CAT may be found below.

Important Notices for CAT Taxpayers

R.C. 5751.07 was amended in the most recent budget bill to allow the Department to require annual CAT taxpayers to file and pay electronically for returns filed on or after Jan. 1, 2014. Taxpayers may file and pay electronically through the Ohio Business Gateway at business.ohio.gov. Alternatively, annual taxpayers may utilize [TeleFile](#) as a means for filing and paying the annual CAT return electronically beginning in April 2014.

Commercial Activity Tax

Registration Considerations – Consolidated Elected Taxpayer vs. Combined Taxpayer

Consolidated Elected Taxpayer – a group of entities owned by a common owner(s)

- This group elects to include all members of the group having at least 80%/50% (taxpayer choice) of ownership interest owned by a common owner(s) during any portion of the tax period.
 - Do you have non-US entities that meet the same ownership test?
- A major benefit to being a Consolidated Elected Taxpayer is that most taxable gross receipts between members of the group are not subject to CAT.
- Please note, this elections requires the following:
 - The group must file using this approach for at least 2 years.
 - Entities in this group that may not have nexus in Ohio must also be included in the group.

Commercial Activity Tax

Combined Taxpayer – a group of entities where a common owner(s) owns more than 50% of entities that chose not to be a consolidated elected taxpayer.

- A major difference between a consolidated elected taxpayer and a combined taxpayer is that a combined taxpayer group only has to register its members that have nexus in Ohio.
- A disadvantage to being a combined taxpayer is that most taxable gross receipts between members of the combined taxpayer group are subject to CAT.

Commercial Activity Tax

What are the filing requirements?

- Taxpayers with taxable gross receipts between \$150,000 and \$1 million in a calendar year file as annual taxpayers for the CAT.
- Taxpayers with taxable gross receipts in excess of \$1 million in a calendar year must file quarterly.
- Ohio law recently required CAT returns to be filed electrically – Choose one of these two methods:
 - OBG
 - Telefile

Commercial Activity Tax

CAT Return Due Dates

- Taxpayers with annual taxable gross receipts in excess of \$1 million must file and pay on a quarterly basis.

- These quarterly returns are due as follows:

		<u>Due Date</u>
Qtr 1	Jan 1 – March 31	May 10
Qtr 2	Apr 1 – June 30	Aug 10
Qtr 3	July 1 – Sept 30	Nov 10
Qtr 4	Oct 1 – Dec 31	Feb 10

- Taxpayers with annual taxable gross receipts in excess of \$150,000 and less than \$1 million, must file and pay on an annual basis and pay the annual minimum tax (AMT).
 - The annual CAT return and AMT is due by May 10 each year.
 - The annual AMT for these taxpayers is \$150.

Commercial Activity Tax



Commercial Activity Tax

Recent changes made to the CAT Annual Minimum Tax (AMT) computation.

Taxable Gross Receipts	Annual Minimum Tax	CAT
\$1 Million or less	\$150	No Additional Tax
More than \$1 Million but less than or equal to \$2 Million	\$800	0.26% x (Taxable Gross Receipts - \$1 Million)
More than \$2 Million but less than or equal to \$4 Million	\$2,100	0.26% x (Taxable Gross Receipts - \$1 Million)
More than \$4 Million	\$2,600	0.26% x (Taxable Gross Receipts - \$1 Million)

Commercial Activity Tax

Tips for Filing a CAT Return

What are Gross Receipts?

- Gross receipts are defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross income.
- Examples of gross receipts includes sales, revenue from the performance of services, lease or rental income, royalty income, etc.

What are Taxable Gross Receipts?

- Taxable gross receipts are receipts that are sourced (situated) to Ohio, since the benefit of such receipt was received by the purchaser in Ohio.

How long should I keep my records?

- Keep all records for at least 4 years.

Financial Institutions Tax

What is FIT?

- The FIT is a business privilege tax imposed on each financial institution conducting business in this state or otherwise having nexus in this state; this tax was effective January 01, 2014.

Who is subject to FIT?

- Financial institutions conducting business in this state or otherwise having nexus in this state are subject to this tax.
- A “financial institution” is a bank organization, a holding company of a bank organization, or a nonbank financial organization.
- A bank organization is defined as follows:
 - National bank
 - Federal savings association or bank;
 - Bank, banking association, trust company, savings and loan association, or savings bank
 - Corporation organized under 12 U.S.C. 611;
 - Agency or branch of a foreign bank;
 - Entity licensed as a small business investment company

How to register for a FIT Account

- Electronic registration is available online through OBG

Financial Institutions Tax

Filing Requirements

Estimated payment due dates:

- January 31st – 1/3 of the tax or the minimum tax of \$1,000.
- March 31st – 1/2 of the remaining balance due.
- May 31st – second 1/2 of the remaining balance due.
- The report is due October 15th of the tax year.

How to file and remit FIT

- Payments and returns can be filed electronically on the OBG.
- Payments may be made electronically and submitted through the Ohio Treasurer of States office (TOS).
- If remitting payment through the TOS, a separate registration with the TOS is required.

Petroleum Activity Tax (PAT)

What PAT?

- PAT is a tax on the supplier of motor fuel and is measured by the supplier's gross receipts from the first sale, transfer, exchange, or other disposition of motor fuel in Ohio to a point outside the distribution system.
- The tax rate is .65% of the supplier's gross receipts.
- Gross receipts are determined similar to the CAT's gross receipts (total amount realized without deduction for cost of goods sold...).
- There are four exclusions from the definition of gross receipts: exports, federal and state excise taxes paid on motor fuel, bad debts, and receipts from the sale of accounts receivable.

Who is subject to PAT?

- Imposed on suppliers, which is defined as any person that meets one of the following:
 - Sells or otherwise distributes motor fuel from a terminal or refinery rack to a location in Ohio and that point is outside a distribution system, or
 - Imports motor fuel for sale or other distribution to a location in Ohio and that point is outside of the distribution system.

Petroleum Activity Tax (PAT)

How to register for PAT

- Existing suppliers were required to license with ODT by March 1, 2014 and new suppliers must register within 30 days of becoming subject to PAT.
- Registration is done through OBG.

Filing Requirements

- All PAT returns are filed quarterly.
- First PAT return is due Nov 10, 2014, for the period July 1 – Sept 30, 2014.
- Returns and payments must be filed electronically on OBG.

Notification/Registration Requirements with Other State of Ohio Agencies

Opening a business in Ohio requires registration from several state agencies:

- **Ohio Secretary of State**
- **Ohio Department of Bureau of Workers' Compensation**
- **Ohio Department of Job and Family Services**
- **Ohio Department of Commerce**
- **Ohio Development Services Agency**

Businesses

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Other Resources for Businesses

This page provides links to resources and agencies that can help business owners get started and grow in Ohio.

Getting Started

- [Ohio Department of Taxation's Business Registration Guide](#) – This document will provide an overview on how to register a business with the Department of Taxation and filing requirements.
- [Watch Small Business Tutorial](#)
- [Small Business Tax Training Manual](#)
- **Obtain a FEIN** – Businesses that do not have a Federal Employer Identification Number (FEIN) should obtain one from the IRS.
- **Obtain a vendor's license:**
 - [Registration](#)
- [1st Stop Business Connection](#) – This Web site, maintained by the Development Services Agency, is designed to help businesses get started or grow.



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Tax Forms

Instructions: Enter a full or partial form number or description into the 'Title or Number' box, optionally select a tax year and type from the drop-downs, and then click the 'Search' button.

Form Title or Number:

Tax Type:

Tax Year:

Search



Contact Information

- **Taxpayer Services Division**
 - **Call 1-888-405-4089 for Business Registration**
 - **Call 1-888-405-4039 for all other Business Questions**

Questions?