

Sales and Use Tax

The sales and use tax is state government's second-largest source of revenue. It also represents an important revenue source for county governments and regional transit authorities, which are authorized to levy "piggyback" taxes also administered by the Ohio Department of Taxation.

The Ohio sales and use tax dates back to 1934, when the General Assembly enacted a 3 percent rate effective January 1935. In 1967, the legislature adopted a 4 percent state rate and, for the first time, authorized county governments to levy piggyback taxes of their own, subject to repeal by a majority vote of the county electorate. In 1974, transit authorities were also granted the authority, with voter approval, to levy sales taxes.

The current state sales and use tax rate, 5.5 percent, was established on July 1, 2005. During fiscal year 2008, the tax generated about \$7.87 billion in revenue for state government. Of that amount 96.8 percent or \$7.61 billion was distributed to the General Revenue Fund. The balance was distributed to the Local Government Fund and Local Government Revenue Assistance Fund.

The department collects the combined state and local tax and returns the local share directly to the counties and transit authorities. The same exemptions and exceptions, credits, and payment dates apply to the permissive taxes as to the state tax.

As of July 1, 2008, all 88 Ohio county governments levied permissive sales and use taxes ranging in size from 0.25 percent to 1.5 percent. During the 2008 calendar year, the state collected over \$1,396.1 million for county governments from such levies.

As of July 1, 2008, seven transit authorities also levied sales and use taxes of up to 1 percent. They were: the Greater Cleveland Regional Transit Authority, the Central Ohio Transit Authority, the Laketran Transit Authority (Lake County), the Greater Dayton Regional Transit Authority, the Portage Area Regional Transit Authority, the Stark Area Regional Transit Authority and the (Summit County) Metro Regional Transit Authority. In calendar year 2008, the state collected more than \$339.1 million for these transit authorities.

Fiscal year 2008 saw continued efforts by the state to become a full member of the Streamlined Sales and Use Tax Agreement, a multi-state effort to harmonize sales tax rules across state lines. This involved the implementation of a change to the way Ohio taxed delivery sales.

During fiscal year 2007, Ohio was phasing in a requirement for vendors who engage in delivery sales to move toward destination sourcing of those sales – meaning calculating the rate at the destination of the sale rather than the location of the vendor. Vendors with \$30 million or more in delivery sales in the previous year were required to make this switch by May 1, 2007, and the plan called for all other vendors to follow suit by Jan. 1, 2008.

But concern among small business owners prompted the General Assembly to put the effort on hold for smaller vendors.

In late 2007, the Streamlined Sales Tax Governing Board agreed to allow states like Ohio to become full members while continuing to permit origin sourcing of intrastate delivery sales of tangible personal property. As a result, Ohio House Bill 429 was enacted in the spring of 2008. It requires the relative few delivery sellers who already made the switch to destination sourcing to go back to origin sourcing of delivery sales by Jan. 1, 2010 (see **Recent Legislation**).

Taxpayer

(Ohio Revised Code 5739.01, 5739.03, 5739.031, 5739.17, 5741.01)

Any person, retailer, business, organization, or provider of taxable services making retail sales or making taxable purchases on which the tax has not been paid is required to file a return and remit the tax due. See Exhibit 1 for a description of taxpayers and applicable vendor's licenses.

Tax Base

(R.C. 5739.01, 5741.01)

The state, county, and transit authority sales and use taxes apply to all retail sales of tangible personal property that are not specifically exempt. Retail sales also include the rental of tangible personal property, the rental of hotel rooms by transient guests, and the sales of the following specified services:

- repair of tangible personal property;
- installation of tangible personal property;
- washing, cleaning, waxing, polishing, and painting of a motor vehicle;
- laundry and dry cleaning services;
- automatic data processing, computer services, and electronic information services used in business;
- telecommunications services;
- lawn care and landscaping;
- private investigation and security;
- building maintenance and janitorial services;
- employment services and employment placement services;
- exterminating services;
- physical fitness facility services;
- recreation and sports club services;
- mobile telecommunications services;
- satellite broadcasting services;
- personal care services;
- transportation of persons by motor vehicle or aircraft entirely within this state;
- motor vehicle towing services;

Exhibit 1

Description of Sales Tax Taxpayers and Vendor's Licenses		
Taxpayer	Cost of License	Description
Vendor	\$25	Each person or business establishment located in Ohio making retail sales.
Service vendor	\$25	Person or business that provides automatic data processing, computer services, and electronic information services; or telecommunications services; mobile telecommunications services; lawn care and landscaping services; private investigation and security services; building maintenance and janitorial services; employment and employment placement services; exterminating services; satellite broadcasting services; or snow removal services. The license is valid statewide.
Transient vendor	\$25	Retailer who makes sales in any county in which they have no fixed place of business. The license is valid statewide.
Delivery vendor	\$25	Retailer who maintains no store, showroom, or similar place of business where merchandise is offered for sale, or who has no location where merchandise displayed in catalogs may be selected or picked up by customers.
Seller	No fee	Retailer located outside of Ohio who makes retail sales of property or services for storage, use, or consumption in Ohio.
Direct pay permit holder	No fee	Consumers authorized by the Tax Commissioner to remit tax directly to the state instead of to the vendor. This authority can only be issued upon application if the Commissioner determines that granting the authority would improve compliance and increase the efficiency of the administration of the tax.
Clerks of court	No fee	Dealers remit taxes collected on sales of motor vehicles, watercraft, and outboard motors to county clerks of court when a title is issued. Clerks of court also collect the tax on casual sales of motor vehicles, and sales of watercraft and outboard motors required to be titled. Clerks of court remit these receipts to the state.
Division of Liquor Control	No fee	Collects and remits sales tax paid on state-controlled spiritous liquor sold in state-contracted liquor agencies.
Consumers' use tax account	No fee	Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state.

- snow removal services; and
- electronic publishing services.

Retail sales also include all transactions by which a warranty, maintenance, or service contract is, or is to be, provided and all transactions by which tangible personal property is, or is to be, stored.

The county and transit authority use taxes also apply to purchases made outside of the state and to purchases made from vendors located in an area which does not have the permissive sales and use tax, or levies it at a lower rate, when the property or service is used in an area that levies a permissive sales and use tax.

Rates

(R.C. 5739.02, 5739.021, 5739.023, 5739.025, 5739.026, 5741.02, 5741.021-.023)

State rate

The state sales and use tax rate has been 5.5 percent since July 1, 2005.

Local rates

Current law gives counties the option of levying a sales tax of up to 1 percent for county general revenue, plus an additional tax of up to 0.5 percent for county general revenue or several specific purposes outlined in the Ohio Revised Code. These taxes, which must be in 0.25 increments, may be repealed by county voters.

Transit authorities are also authorized to levy additional permissive sales and use taxes at rates of 0.25 percent to 1.5 percent in quarter-percent increments.

The following are the number of jurisdictions (counties) at each combined state and local tax rate as of July 1, 2008.

Total Rate	Number of Jurisdictions
6.00 %	2
6.25 %	5
6.50 %	24
6.75 %	14
7.00 %	42
7.75 %	1

Rate schedule

A combined sales tax schedule that includes local levies is outlined in R.C. 5739.025.

Sourcing

For most taxable sales, the sales tax rate is based on the location of the vendor from which the sale was made.

Exceptions include automatic data processing, computer services, electronic information services, telecommunications services, private investigation and security services, lawn care and landscaping services, building maintenance and janitorial services, employment services, employment placement services, exterminating services, satellite broadcasting services, and snow removal services. For these services, the rate is based on the location where the service is purchased and performed or received.

Special sourcing rules are in place for certain sales of digital goods or software delivered electronically that are concurrently available for use by the consumer in multiple locations, for certain types of direct mail, for telecommunications services, and for leases.

Generally, the applicable use tax rate for all taxable sales on which no tax was paid to the vendor is based on the location of the purchaser.

Exemptions and Exceptions

(R.C. 5709.25, 5739.01, 5739.011, 5739.02, 5741.02, 6121.16, 6123.041)

The sales and use tax does not apply to:

- copyrighted motion picture films unless solely used for advertising;
- service transactions in which tangible personal property is an inconsequential element for which no separate charge is made except for the services that are specifically taxable (see **Tax Base**);
- the value of motor vehicles traded in on new motor vehicles sold by licensed new motor vehicle dealers;
- tangible personal property or the benefit of a taxable service to be resold in the form received;
- the refundable deposit paid on returnable beverage containers, cartons, and cases;
- tangible personal property used or consumed in commercial fishing;
- sales to U.S. government agencies;
- sales to the state or any of its political subdivisions;
- food for human consumption off the premises where sold;
- food sold to students in a dormitory, cafeteria, fraternity, or sorority;
- newspapers;
- magazine subscriptions or magazines distributed as controlled circulation publications;
- motor vehicle fuel subject to the state motor fuel excise tax;
- gas, water, and steam delivered through pipes or conduits by a utility company and electricity delivered through wires;
- communications services provided by telegraph companies;
- casual sales except for motor vehicles, titled watercraft and outboard motors, snowmobiles, and all-purpose vehicles;
- sales by churches and nonprofit organizations (excluding motor vehicles) provided that the number of sales does not exceed six days each year;
- transportation of persons or property, except the transportation of persons specifically taxed as a service;
- sales to churches, nonprofit organizations included under Internal Revenue Code (I.R.C.) 501(c)(3), nonprofit scientific research organizations, and to other nonprofit charitable organizations;
- sales to nonprofit hospitals and to those privately-held homes for the aged and hospital facilities that are financed with public hospital bonds;
- building and construction material sold to contractors for incorporation into real property constructed for federal, state, or local governments; for religious and certain other nonprofit charitable institutions; for horticulture and livestock structures; and for other specified organizations and industries;
- ships and rail rolling stock used in interstate or foreign commerce and material used for repair, alteration, or propelling such vessels;
- material, machinery, equipment, and other items used in packaging property to be sold at retail;
- all drugs for a human being dispensed pursuant to a prescription; urine and blood testing materials used by diabetics or persons with hypoglycemia; medical oxygen and medical oxygen equipment for personal use; hospital beds for personal use; and epoetin alfa for persons with a medical disease;
- prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment sold pursuant to a prescription for use by a human being;
- emergency and fire protection vehicles used exclusively by nonprofit organizations in providing emergency and fire protection services for political subdivisions;
- sales to nonprofit community centers and to producers offering presentations in music, dramatics, the arts, and related fields to foster public interest and education;
- motor vehicles sold in Ohio to nonresidents for titling and use in any other state (or, after Aug. 1, 2007, **most** other states; for details, see information release ST 2007-04 – “Sales and Use Tax: Sales of Motor Vehicles to Nonresidents of Ohio,” issued in August 2007);
- property used in the preparation of eggs for sale;
- sales of property for use in agricultural production;
- property manufactured in Ohio and immediately shipped outside the state for use in retail business, if sold by the manufacturer to the retailer and shipped in vehicles owned by the retailer;
- sales to non-commercial, educational broadcasting stations;
- sales of animals by nonprofit animal shelters and county humane societies;
- items used in preserving, preparing, or serving food, or material used in maintaining or cleaning these items in a commercial food service operation;
- tangible personal property used in air, noise, or water pollution control facilities or in energy conversion, solid waste energy conversion, or thermal efficiency improvement facilities, by holders of exempt facility certificates issued by the Tax Commissioner;
- bulk water for residential use;
- sales of equipment used in qualified research and development;
- sales and installation of agricultural land tile and the sale and installation of portable grain bins to farmers;
- fees paid for the inspection of emission control equipment on motor vehicles;
- sales, leases, repairs, and maintenance of motor vehicles used primarily in providing highway transportation for hire;

- sales to state headquarters of veterans' organizations chartered by Congress or recognized by the U.S. Department of Veterans Affairs;
- as defined by federal law, normally taxable food items, such as soft drinks, sold to persons using food stamps;
- sales of tangible personal property and services used directly in providing a telecommunications service, mobile telecommunications service, or satellite broadcasting service;
- trade-ins on purchases of new or used watercraft or outboard motors sold by licensed boat dealers;
- property and labor used to fulfill a warranty or service contract;
- property used to store and handle purchased sales inventory in a warehouse or similar facility, when the inventory is primarily distributed outside Ohio to retail stores of the person who owns or controls the warehouse, to retail stores of an affiliated group of which the owner of the warehouse is a member, or by means of direct marketing;
- sales of computer equipment made to qualifying certified teachers and used for educational purposes;
- sales of certain tangible personal property made to qualified motor racing teams;
- sales of used manufactured and mobile homes;
- sales of coin-operated car washes;
- the provision of self-service laundry or dry cleaning facilities;
- intrastate transportation of persons by transit bus or ambulance or by a person that holds a Certificate of Public Convenience and Necessity under 49 United States Code 41102;
- sales of telecommunications services used directly and primarily to perform the functions of a call center;
- sales of personal property and services used directly and primarily in providing taxable intrastate transportation of persons;
- repair and replacement parts and repair and maintenance services for aircraft used primarily in a fractional aircraft ownership program;
- items held by a person, but not for that person's own use, and donated to a charitable organization or to the state or its political subdivisions for exclusively public purposes (use tax only); and
- items used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.

Also, Ohio law:

- permits a 25 percent sales tax refund for qualified computer purchases for providers of electronic information services; and
- caps at \$800 the sales or use tax on any aircraft sold as a fractional share aircraft.

Additionally, Ohio law includes direct use and primary use exemptions.

The direct use exemption applies to:

- material incorporated as a component part of tangible personal property produced for sale by manufacturing, assembling, processing, or refining;
- material used or consumed directly in the production of tangible personal property by mining, farming, agriculture, horticulture, floriculture, or used in the production of and exploration for crude oil and natural gas;
- tangible personal property used directly in rendering a public utility service;
- tangible personal property used or consumed in the preparation for sale of printed and other reproduced material and magazines distributed as controlled circulation publications; and
- certain property used in making retail sales including: advertising material or catalogs used or consumed in making retail sales that price and describe property; preliminary materials sold to direct marketing vendors that will be used in printing advertising material; printed matter that offers free merchandise or chances to win sweepstakes prizes and includes advertising material; equipment primarily used to accept orders for direct marketing retail sales; and certain automatic food vending machines.

The primary use exemption refers to tangible personal property used primarily in a manufacturing operation to produce a product for sale. The primary use exemption includes, but is not necessarily limited to, the following items:

- production machinery and equipment that act upon the product;
- handling and transportation equipment (except licensed motor vehicles) used in moving property in or between plants during the production process;
- property used in producing property that is used or consumed in the production of a final product (use on use);
- coke, gas, water, steam, and similar substances used in the manufacturing operation;
- catalysts, solvents, water, acids, oil, and similar consumables that interact with the product and are an integral part of the manufacturing operation;
- property that is used to control, physically support, or is otherwise necessary for functioning of machinery and equipment and continuation of the manufacturing operation; and
- machinery and equipment, detergents, supplies, solvents, and any other tangible personal property located at a manufacturing facility that are used in the process of removing soil, dirt, or other contaminants from, or otherwise preparing in a suitable condition for use, towels, linens, articles of clothing, floor mats, mop heads, or other similar items, to be supplied to a consumer as part of laundry and dry cleaning services,

only when the towels, linens, articles of clothing, floor mats, mop heads, or other similar items belong to the provider of the services.

Special Provisions

Cumulative filing (R.C. 5739.12 and Rule 5703-9-09)

The Tax Commissioner may require a vendor that operates from multiple locations or has multiple vendors' licenses to report all liabilities on one consolidated return. Vendors who have two or more places of business in Ohio may, upon approval by the Tax Commissioner, file a single monthly consolidated return reporting on one form the information that normally is required to be reported from each location.

Pre-arranged agreements (R.C. 5739.05 and Rule 5703-9-08)

Vendors, such as fast food outlets, whose business is of a nature that keeping records of which sales are taxable and which are exempt would impose an unreasonable burden, may be authorized by the Tax Commissioner to pay an amount based on a test check conducted to determine the proportion of taxable sales to total sales. Businesses electing this method of payment still collect the tax from customers at the time of purchase.

Pre-determined agreements (R.C. 5739.05 and Rule 5703-9-08)

Vendors, such as coin-operated vending machine operators, whose business is of a nature that the collection of the tax from consumers would impose an unreasonable burden, may be authorized by the Tax Commissioner to pay the tax at a pre-determined rate based on an analysis of sales and prices.

Construction contractors (R.C. 5739.01 and Rule 5703-9-14)

Construction contractors are considered to be the consumers of property incorporated into the construction of or improvement to real property and, thus, are responsible for paying the tax on such property.

Resort area gross receipts tax (R.C. 5739.101 – 5739.105)

Qualified municipal corporations or townships are authorized to levy a tax at the rate of 0.5 percent, 1 percent, or 1.5 percent on gross receipts from general sales made in or intrastate transportation primarily provided to and from the resort area. Receipts from this tax are for the general revenue of the township or municipality. The tax is administered by the Department of Taxation. In 2008, the tax was in effect in both

the village and township of Put-in-Bay, as well as the village of Kelley's Island.

Lodging tax (R.C. 5739.09)

In addition to the state sales tax, municipal corporations, townships, and counties may levy an excise tax on hotel and motel room rentals at a rate not exceeding 3 percent. Total combined local levies cannot exceed 6 percent. In certain cases, a portion of the receipts are earmarked for convention centers and visitors bureaus. County convention facility authorities were permitted between June 29, 1988 and December 31, 1988 to enact an additional 4 percent lodging tax for convention facility or sports center construction. This tax is in addition to the combined maximum 6 percent rate for county, township, or municipal lodging taxes, thereby allowing a combined local rate of 10 percent.

Payment by EFT (R.C. 5739.032, 5739.122, 5741.121)

Payment of tax returns is required to be made by electronic funds transfer (EFT) in cases where a taxpayer's annual liability exceeds \$75,000 per calendar year. Taxpayers required to use this payment method will be so notified. Taxpayers with lesser liabilities may request the authorization to remit tax payments via EFT from the Treasurer of State.

Accelerated tax payment (R.C. 5739.032, 5739.122, 5741.121)

Vendors required to remit tax by EFT are required to make advance payments of 75 percent of each month's anticipated tax by the 23rd of that month. These vendors are still required to file a return by the 23rd of the next month and pay the balance of their tax due, along with that month's accelerated payment.

Filing and Payment Dates

(R.C. 5739.031, 5739.12, 5739.17, 5741.12, Rule 5703-9-10)

See Exhibit 2 for a summary of filing and payment dates.

Discount (R.C. 5739.12, 5741.12)

Payment on or before the date a return is required to be filed entitles the vendor to a discount of 0.9 percent of the amount due for returns required to be filed after July 1, 2007. (Example: \$5,000 tax due - \$37.50 discount = \$4,562.50 net tax due.)

Exhibit 2

Type of Sales Tax Returns and Filing Payment Dates		
Note: All monthly and semi-annual returns must be filed electronically starting with the first filing period in 2009.		
Type of Return	Taxpayer	Payment Date
Weekly	Clerks of court	Payment on Monday for taxes collected during the preceding week on motor vehicles, and on watercraft and outboard motors titled.
Semi-monthly	Division of Liquor Control	By the 15th day of the month for the tax collected during the last 15 days of the previous month, and by the last day of the month for the tax collected during the first 15 days of the month, on spirituous liquor sold in state-contracted liquor agency stores.
Monthly	Vendors, sellers, service vendors, transient vendors, delivery vendors, direct pay permit holders, consumers' use tax accounts	By the 23rd day of the month following the close of the reporting period, which is the previous month.
Quarterly	Direct pay permit holders, consumers' use tax accounts	By the 23rd day of January, April, July, and October for their tax liability during the preceding three months; this method of payment may be authorized for accounts with less than \$5,000 in quarterly tax liability.
Semi-annual	Vendors, sellers, service vendors, transient vendors, delivery vendors	By the 23rd day of the month following the close of each semi-annual period (pre-determined by filing schedule) for the tax collected during the preceding six-month period; this method of payment may be authorized for vendors and sellers whose tax liability is less than \$1,200 per six-month period.
Special payment requirements	All taxpayers	Payment must be received by the 23rd day of the month following the close of the reporting period. Taxpayers whose annual liability in a prior year exceeded \$75,000 are required to pay by EFT. These same taxpayers are required to make accelerated payments during each month.

Disposition of Revenue**State Sales and Use Tax** (R.C. 5739.21, 5741.03)

Traditionally, by statute, the Local Government Fund received 4.2 percent, the Local Government Revenue Assistance Fund 0.6 percent, and the General Revenue Fund 95.2 percent of sales and use tax collections. However, legislative changes in recent years temporarily restructured this distribution. In fiscal year 2007, the Local Government Fund received 3.4 percent, the Local Government Revenue Assistance Fund received 0.5 percent, and the General Revenue Fund received 96.1 percent of state sales tax revenue; this was per an uncodified provision of House Bill 66 (the fiscal year 2006-07 operating budget bill) that froze fiscal year 2006-07 local government fund distributions at fiscal year 2005 levels.

H.B. 119, the fiscal year 2008-09 main operating budget bill enacted in 2007, continued the freeze through calendar year 2007 and established a new system of revenue sharing with local governments. Beginning in January 2008, the two local government funds are consolidated into a single Local Government Fund that receives 3.68 percent of all General Revenue Fund tax revenues. In addition, the Library and Local Government Support Fund is changed to the Public Library Fund, and receives 2.22 percent of all General Revenue Fund tax revenues.

All revenues from the state sales and use tax are initially deposited into the General Revenue Fund. However, each month an amount is deposited into the Public Library Fund, with one-half of that amount credited against the state sales tax portion of General Revenue Fund revenues.

County Permissive Sales and Use Tax (R.C. 5739.21, 5743.03)

Ninety-nine percent of revenue is distributed to the general fund of the county that levied the tax. One percent is credited

to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

County Additional Permissive Sales and Use Tax (R.C. 5739.21, 5741.03)

Ninety-nine percent of revenue is distributed to the special purpose fund of the county that levied the tax. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

Transit Authority Sales and Use Tax (R.C. 306.31, 5739.21, 5741.03)

Ninety-nine percent of revenue is distributed to the general revenue fund of the transit authority that levied the tax for the purpose of acquiring, constructing, operating, maintaining, replacing, improving, and extending transit facilities. One percent is credited to the Local Sales Tax Administrative Fund for the use of the Tax Commissioner in defraying administrative costs.

Resort Area Tax (R.C. 5739.102)

Ninety-nine percent of revenue is distributed to the appropriate taxing entity; 1 percent is credited to the state General Revenue Fund for the cost of administering the tax.

Administration

The Tax Commissioner administers the sales and use tax for the state, for counties, and for transit authorities.

Ohio Revised Code Citations

Chapters 306, 307, 351, 5709, 5739, 5741, and 6111.

Recent Legislation

House Bill 429, 127th General Assembly (effective April 18, 2008; certain provisions effective on other dates).

Origin sourcing of delivery sales – The bill adopted origin sourcing for sales of tangible personal property delivered to an Ohio county with a different sales and use tax rate, as provided in the Streamlined Sales and Use Tax Agreement. H.B. 429 repealed provisions of that law requiring all vendors to adopt destination sourcing. It also requires that vendors who had switched to destination sourcing switch back by Jan. 1, 2010 (or sooner, if they wish).

Destination sourcing compensation – The bill repealed a system of compensation for counties impacted by destination sourcing (effective May 1, 2009).

Sales tax refunds – This bill permits vendors, when making a refund of all but a delivery charge, to retain the amount of the sales tax attributable to the delivery charge if the delivery charge was stated separately (effective July 1, 2008).

House Bill 562, 127th General Assembly (effective Sept. 23, 2008; certain provisions effective on other dates).

Auto protection coverage included in sales tax – This bill enacted R.C. 5739.01(B)(10) to define “guaranteed auto protection” coverage that is included in the contract for the sale or lease of a motor vehicle as a sale subject to the sales tax (effective Sept. 23, 2008).

Out of state direct selling exemption – Enacted R.C. 5739.02(B)(48) to create an exemption for machinery, equipment and computer software sold to a “qualified direct selling entity” and used in a warehouse or distribution center to store, handle or transport inventory to independent salespersons operating as direct sellers and that is primarily for distribution out of state. The exemption is available only to a direct selling entity that obtains a job creation tax credit on or after Jan. 1, 2007. The exemption only applies to purchases made within five years of the effective date of this exemption (effective June 24, 2008).

Aircraft parts and maintenance exemption – The legislation enacted R.C. 5739.02(B)(49) to exempt purchases of parts, equipment and engines used in the repair of aircraft. Also exempts repair, remodeling, replacement or maintenance of aircraft at Federal Aviation Administration (FAA)-certified repair stations in this state (effective Aug. 1, 2008). (Note: H.B. 420 of the 127th General Assembly, effective Feb. 1, 2009, removed the requirement that repair, remodeling, replacement or maintenance be performed at an FAA-certified repair station.)

Full flight simulator purchase exemption – Enacted R.C. 5739.02(B)(50) to exempt purchases of “full flight simulators” used for pilot or flight crew training, and repairs and maintenance of such full flight simulators (effective Aug. 1, 2008).

Nonresident motor vehicle sales exemption – This bill amended R.C. 5739.029 to expand the exemption for sales of motor vehicles to nonresidents of Ohio that will be removed from the state for titling, use or registration in another state to include vehicles removed to provinces of Canada (effective Sept. 23, 2008).

Electronic filing – Amended several sections to authorize the Tax Commissioner to require electronic filing of sales and use tax returns.

House Bill 157, 127th General Assembly (effective Dec. 21, 2007)

Sales tax applied to electronic publishing – This bill enacted R.C. 5739.01(B)(3)(u) to include electronic publishing within the definition of a “sale” subject to the sales tax. It included a definition of electronic publishing in R.C. 5739.01(LLL). It also enacted R.C. 5739.02(B)(42)(n) to create an exemption for using the thing transferred in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing.

Recent Court Decisions

DaimlerChrysler Corporation v. Levin, 117 Ohio St.3d 46, 2008-Ohio-259

An automobile manufacturer paid its dealers for parts and services to provide owners of its products with “goodwill” repairs after the expiration of the warranty. The Court found that the anticipated cost of the goodwill repairs was built into the price of the vehicles sold by the taxpayer. Therefore the ultimate purchaser of the vehicle, and not the taxpayer, was the consumer of the goodwill repairs. Since the taxpayer was not the consumer, it did not owe use tax on the parts or services.

Recent Information Releases

ST 2008-04 – “Aircraft Parts and Repair,” August 2008, revised January 2009.

ST 2008-03 – “Resort Area Gross Receipts Excise Tax,” April 2008.

ST 2008-02 – “Motor Vehicles – Dealer Transfers for No Consideration, and Sales or Gifts to Nonprofit Organizations,” March 2008.

ST 2008-01 – “Television Converter Box Coupons,” February 2008.

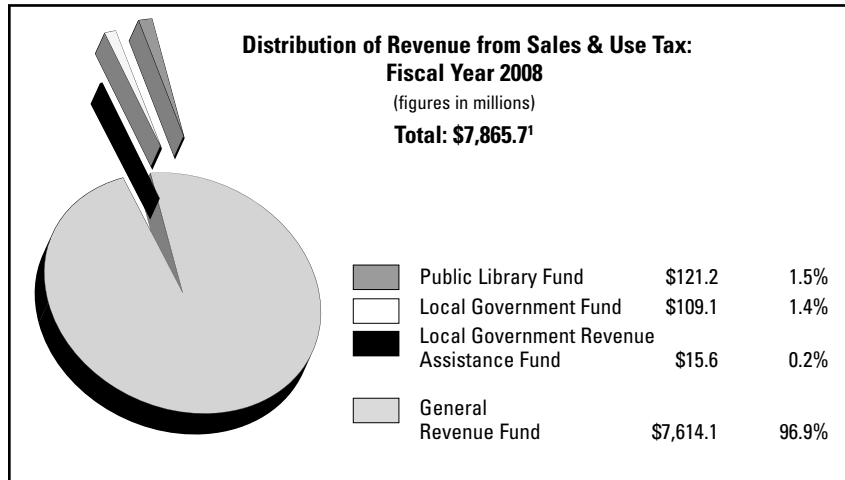
ST 2007-06 – “Accelerated and Electronic Sales and Use Tax Payments,” December 2007.

ST 2007-05 – “Origin Sourcing of Delivery Sales,” October 2007.

ST 2007-04 – “Sales of Motor Vehicles to Nonresidents of Ohio,” August 2007, revised March 2009.

ST 2007-03 – “Sales by School Support Groups and Other Charitable Organizations,” August 2007.

Chart



¹ Includes Attorney General collections which amount to \$5.6 million.

Table 1

Sales and Use Tax - Collections By Type of Payments (includes State and County/Transit Authority Permissive Tax) Fiscal Year 2008	
<p>The figures in this table represent gross collections and therefore include collections from assessments and penalties. Refunds have not been subtracted out. Figures are prior to any distribution to any state fund or to county and permissive transit authorities.</p> <p>Also, local sales and use tax collections include deposits into the Local Sales Tax Administration Fund, amounting to \$17,472,390. The local sales and use tax figure reflects collections during the July 2007-June 2008 period (rather than distributions made during the July 2007-June 2008 period).</p>	
Type	Amount
Vendor's Sales	\$6,710,902,698
Motor Vehicle and Water Craft (from Clerks of Court)	1,168,028,795
Seller's Use	1,011,716,535
Consumers' Use	330,021,806
Direct Payment	281,528,219
Liquor Sales by Division of Liquor Control	31,434,537
Attorney General Sales and Use Tax Collections	42,839,429
Total State and Local Collections	\$9,586,639,058
Less Local Sales and Use Tax Collections	<u>1,729,767,507</u>
Total State Collections	\$7,856,871,551

Source: Ohio Department of Taxation records and information from state accounting system.

Table 2

Sales & Use Tax				
Number of Accounts, By Type and Payment Schedule				
(As of July 1, 2008)				
Accounts	Payment Schedule			Total
	Semi-Annual	Monthly	Quarterly	
Vendors (includes 39,671 master ¹ accounts issued by counties)	102,463	75,747		178,210
Master ¹ (accounts issued by the state)	230	3,322		3,552
Transient	25,309	2563		27,872
Service	13,192	8,659		21,851
Delivery	8,369	1,518		9,887
Consumers	0	1,898	12,983	14,881
Direct-Pay	0	363	132	495
Out of State	<u>6,818</u>	<u>7,607</u>		<u>14,926</u>
Grand Total	156,882	101,677	13,115	271,674

¹ A master account is an account held by a vendor that has multiple locations (and thus multiple vendor's licenses) in one or more counties. Currently, it would not include delivery or service licenses or out-of-state seller accounts.

Table 3

County and Transit Authority Permissive Sales Tax Collections									
Calendar Years 2003 - 2008									
County	Tax Rate 12/31/08	2003	2004	2005	2006	2007	2008	Initial Enactment	Effective Date of Current Rate 12/31/08
ADAMS	1.50	\$2,888,832	\$2,797,066	\$3,048,760	\$2,969,347	\$3,183,996	\$3,118,975	June 1, 1991	Apr. 1, 2006
ALLEN	1.00	13,229,392	14,105,944	14,436,614	14,481,886	14,849,544	13,972,200	May 1, 1970	June 1, 1987
ASHLAND	1.25	5,155,880	5,425,965	6,148,759	6,124,578	6,285,331	6,317,590	Mar. 1, 1971	Jan. 1, 1998
ASHTABULA	1.00	7,977,386	8,428,479	8,777,806	8,649,601	8,638,589	8,570,060	Apr. 1, 1977	July 1, 1985
ATHENS	1.25	5,403,916	5,651,235	5,808,440	5,995,215	6,250,298	6,358,789	Feb. 1, 1982	Jan. 1, 1994
AUGLAIZE	1.50	5,829,385	6,183,157	6,525,568	6,629,972	6,915,103	7,035,131	Nov. 1, 1973	June 1, 1996
BELMONT	1.50	11,551,272	11,870,099	12,067,904	11,556,532	11,585,345	10,848,695	May 1, 1985	Jan. 1, 1995
BROWN	1.25	3,038,463	3,180,477	3,284,391	3,314,663	3,251,092	3,079,320	Aug. 1, 1979	Jan. 1, 1996
BUTLER	0.75	17,112,675	18,414,134	22,607,419	40,662,380	41,317,070	33,112,821	June 1, 1985	Jan. 1, 2008
CARROLL	1.00	1,585,981	1,625,241	1,724,715	1,603,847	1,803,206	1,890,307	Sep. 1, 1985	July 1, 2006
CHAMPAIGN	1.50	3,100,915	4,013,697	4,357,255	4,550,508	4,481,444	4,625,788	Jan. 1, 1986	July 1, 2003
CLARK	1.50	12,243,342	12,563,786	16,494,817	18,400,110	13,429,820	18,791,959	Nov. 1, 1972	Jan. 1, 2008
CLERMONT	1.00	20,068,148	20,961,722	20,614,510	20,838,670	21,257,485	20,378,457	Aug. 1, 1979	Oct. 1, 1983
CLINTON	1.50	4,138,079	4,774,107	5,293,755	7,627,289	7,821,787	7,128,412	May 1, 1972	Oct. 1, 2005
COLUMBIANA	1.50	11,531,316	11,850,766	11,293,699	8,281,444	11,094,523	12,603,339	Aug. 1, 1985	April 1, 2007
COSHOCTON	1.50	2,615,900	2,619,792	4,433,626	3,957,148	4,387,300	4,451,826	June 1, 1971	Jan. 1, 2006
CRAWFORD	1.50	4,857,314	5,023,409	5,068,269	4,907,608	4,982,615	5,036,568	May 1, 1978	July 1, 1994
CUYAHOGA	1.25	158,633,995	167,870,952	167,156,017	169,299,614	179,932,073	212,711,596	Sep. 1, 1969	Oct. 1, 2007
DARKE	1.50	4,415,874	4,489,900	4,903,446	6,799,401	7,500,135	7,141,728	July 1, 1975	Oct. 1, 2005
DEFIANCE	1.00	4,254,886	4,482,197	4,433,635	4,546,018	4,780,726	4,647,121	Feb. 1, 1987	Feb. 1, 1987
DELAWARE	1.25	29,110,737	31,861,129	32,540,265	33,762,217	36,304,531	35,941,918	Jan. 1, 1972	Oct. 1, 1996
ERIE	1.00	11,452,269	11,607,891	12,091,821	12,448,397	12,544,818	12,749,346	Mar. 1, 1977	May 1, 1993
FAIRFIELD	0.75	9,978,566	10,339,538	10,863,626	11,011,730	11,326,997	11,564,477	Sep. 1, 1981	Aug. 1, 1995
FAYETTE	1.50	3,948,848	3,986,368	4,103,489	4,343,975	4,684,890	6,626,664	Mar. 1, 1983	Jan. 1, 2008
FRANKLIN	0.75	81,681,821	85,587,547	97,652,189	172,872,499	177,768,109	136,336,222	Sep. 1, 1985	Jan. 1, 2008
FULTON	1.00	3,959,266	3,994,295	4,056,451	4,078,807	4,058,595	4,147,325	May 1, 1972	Feb. 1, 1987
GALLIA	1.25	3,596,869	3,681,635	3,707,314	3,873,943	4,074,918	4,240,343	Dec. 1, 1981	Feb. 1, 1995
GEAUGA	1.00	4,809,116	9,132,782	10,623,796	10,928,863	11,632,972	11,453,277	Aug. 1, 1987	Feb. 1, 2004
GREENE	1.00	18,393,495	19,571,707	19,258,566	20,408,306	21,106,684	20,903,959	Mar. 1, 1971	Feb. 1, 1987
GUERNSEY	1.50	5,223,689	5,495,869	5,607,908	5,824,558	5,860,713	5,849,364	Feb. 1, 1971	Aug. 1, 1993
HAMILTON	1.00	122,212,469	127,712,184	126,800,138	129,376,893	133,199,307	129,798,378	June 1, 1970	June 1, 1996
HANCOCK	0.50	6,074,558	7,847,608	7,049,929	5,377,722	5,619,402	5,365,589	Feb. 1, 1979	July 1, 2005
HARDIN	1.50	1,913,787	1,993,026	3,131,942	3,334,029	3,369,736	3,188,497	Oct. 1, 1985	Jan. 1, 2005
HARRISON	1.50	1,174,339	1,267,537	1,360,630	1,381,888	1,354,411	1,287,617	Dec. 1, 1985	June 1, 1994
HENRY	1.50	2,283,066	2,421,135	2,492,774	2,934,326	3,224,179	3,678,937	Mar. 1, 1972	April 1, 2007
HIGHLAND	1.50	3,040,302	3,206,611	4,015,905	5,091,812	5,172,130	4,952,521	May 1, 1979	July 1, 2005
HOCKING	1.25	2,819,259	2,724,117	2,645,245	2,808,952	2,864,739	2,847,045	Apr. 1, 1979	Jan. 1, 1998
HOLMES	1.00	4,171,202	4,270,098	4,442,924	4,312,824	4,351,938	4,577,731	July 1, 1977	Jan. 1, 1998
HURON	1.50	7,213,260	7,234,249	7,709,108	7,785,060	7,851,113	7,593,299	Feb. 1, 1978	Jan. 1, 1996
JACKSON	1.50	4,055,626	4,383,073	4,448,993	4,482,840	4,512,968	4,356,868	Apr. 1, 1982	Jan. 1, 1998
JEFFERSON	1.50	8,837,082	9,336,204	9,431,938	9,722,077	10,369,775	10,445,767	June 1, 1973	Nov. 1, 1994
KNOX	1.00	4,360,941	4,808,364	5,236,888	5,384,622	5,404,741	5,439,283	May 1, 1971	Feb. 1, 1994
LAKE	0.50	14,882,380	15,277,887	15,109,090	15,469,561	15,841,911	15,529,714	July 1, 1969	Aug. 1, 1988
LAWRENCE	1.50	5,751,625	6,332,245	6,244,193	6,496,600	6,723,374	6,808,072	June 1, 1986	June 1, 1998
LICKING	1.50	15,400,816	16,339,191	16,784,668	23,730,294	24,751,138	24,283,013	Feb. 1, 1971	Jan. 1, 2006
LOGAN	1.50	7,053,319	7,238,342	7,419,757	7,350,392	7,525,447	7,706,490	Jan. 1, 1974	July 1, 1997
LORAIN	0.75	20,611,361	21,904,257	22,040,916	23,025,723	23,760,781	22,873,860	July 1, 1985	July 1, 1995
LUCAS	1.25	67,006,778	69,957,182	70,590,574	70,824,075	71,801,939	70,363,214	Feb. 1, 1971	Jan. 1, 1993
MADISON	1.25	3,891,232	4,650,969	3,994,396	4,115,639	4,387,076	4,580,027	Mar. 1, 1983	July 1, 1999
MAHONING	1.00	26,657,490	27,537,042	17,624,685	27,620,917	28,431,266	27,981,245	Apr. 1, 1980	Oct. 1, 2005
MARION	1.00	6,235,262	6,365,990	6,385,213	6,677,482	\$7,189,172	6,884,440	Sep. 1, 1985	Apr. 1, 1992
MEDINA	1.00	8,465,661	8,882,248	9,247,658	9,557,722	11,510,099	19,162,818	Apr. 1, 1971	Oct. 1, 2007
MEIGS	1.00	1,101,934	1,071,185	1,090,965	1,158,194	1,230,960	1,225,559	Feb. 1, 1987	Feb. 1, 1987
MERCER	1.50	3,301,439	3,541,059	3,556,298	3,632,555	3,780,028	5,350,703	Nov. 1, 1971	Apr. 1, 2008
MIAMI	1.00	9,648,601	10,449,156	10,398,535	10,415,469	10,799,595	10,902,816	Dec. 1, 1969	Nov. 1, 1999
MONROE	1.50	970,935	1,157,694	1,205,190	1,206,671	1,358,363	1,511,174	Oct. 1, 1986	Nov. 1, 1994
MONTGOMERY	1.00	64,564,376	65,568,624	65,853,110	64,734,278	64,377,557	64,340,111	Jan. 1, 1971	July 1, 1989
MORGAN	1.50	967,301	1,042,641	1,057,294	1,008,824	1,060,863	1,168,308	Feb. 1, 1972	Apr. 1, 1990

(Cont'd. on the next page)

Table 3 (cont'd.)

County and Transit Authority Permissive Sales Tax Collections									
Calendar Years 2003 - 2008									
County	Tax Rate	2003	2004	2005	2006	2007	2008	Initial Enactment	Effective Date of Current Rate
MORROW	1.50	\$2,424,705	\$2,487,996	\$2,693,181	\$2,659,921	\$2,789,891	\$2,732,270	July 1, 1971	July 1, 1995
MUSKINGUM	1.50	13,816,527	13,935,522	14,152,783	14,774,019	14,691,024	14,690,306	May 1, 1971	Apr. 1, 1993
NOBLE	1.50	919,946	909,810	1,008,093	1,005,701	1,056,971	1,047,565	Jan. 1, 1971	Feb. 1, 1995
OTTAWA	1.00	4,674,287	4,789,192	4,834,964	5,147,563	5,128,283	5,198,860	Oct. 1, 1973	Jan. 1, 1998
PAULDING	1.50	1,522,795	1,611,341	1,599,105	1,589,247	1,596,866	1,563,396	Apr. 1, 1984	Nov. 1, 1991
PERRY	1.00	1,580,310	1,677,500	1,763,038	1,798,303	1,818,043	1,799,201	Mar. 1, 1971	May 1, 1982
PICKAWAY	1.50	5,399,205	5,538,138	5,567,490	5,711,366	5,860,320	5,952,481	Oct. 1, 1983	Dec. 1, 2001
PIKE	1.50	2,041,142	2,094,889	2,275,828	3,378,628	3,448,304	3,649,439	May 1, 1988	Jan. 1, 2006
PORTAGE	1.00	13,187,643	13,550,567	13,751,342	14,386,517	14,884,820	15,133,049	Apr. 1, 1971	Dec. 1, 1999
PREBLE	1.50	4,002,410	4,150,454	4,436,626	4,388,893	4,383,637	4,340,758	Nov. 1, 1979	May 1, 1994
PUTNAM	1.25	2,982,285	2,972,475	3,211,813	3,152,349	3,450,810	3,378,346	Jan. 1, 1974	July 1, 2006
RICHLAND	1.25	21,207,635	19,975,252	17,304,647	18,303,057	18,564,613	18,463,217	June 1, 1979	Apr. 1, 2005
ROSS	1.50	10,235,264	10,866,703	10,668,371	11,219,815	11,221,083	10,999,022	Jan. 1, 1980	Oct. 1, 1993
SANDUSKY	1.25	5,913,822	5,925,675	5,876,824	6,928,914	7,615,121	7,350,669	Aug. 1, 1979	Apr. 1, 2006
SCIOTO	1.50	8,250,582	8,394,244	8,449,421	8,744,475	9,177,698	9,227,388	May 1, 1979	May 1, 2001
SENECA	1.50	5,189,772	6,449,435	6,652,424	6,747,142	6,748,385	7,088,480	Oct. 1, 1983	Aug. 1, 2003
SHELBY	1.50	7,426,472	7,302,106	7,737,780	7,950,025	8,109,136	7,490,908	Mar. 1, 1971	Apr. 1, 2008
STARK	0.25	4,363,537	11,337,535	11,233,477	11,506,507	11,789,500	11,669,979	Jan. 1, 1987	July 1, 2003
SUMMIT	0.50	33,994,904	35,261,093	35,524,910	36,021,182	36,696,575	35,672,063	Mar. 1, 1973	Nov. 1, 1995
TRUMBULL	1.00	17,563,200	14,609,638	14,733,480	20,735,712	21,444,461	21,118,330	June 1, 1985	July 1, 2005
TUSCARAWAS	1.00	8,692,703	9,156,759	9,072,030	9,267,067	9,431,540	9,410,168	Apr. 1, 1971	July 1, 1998
UNION	1.25	8,358,356	6,799,470	7,070,147	7,163,498	8,354,287	9,630,696	Apr. 1, 1989	July 1, 2008
VAN WERT	1.50	3,364,282	3,439,543	3,548,502	3,480,108	3,457,911	3,542,444	Mar. 1, 1972	Mar. 1, 1991
VINTON	1.50	729,160	715,575	763,791	790,618	868,227	829,382	May 1, 1985	Mar. 1, 1992
WARREN	1.00	21,535,675	23,002,502	24,605,083	24,976,707	26,750,180	26,612,718	Jan. 1, 1972	Jan. 1, 1992
WASHINGTON	1.50	8,601,829	8,979,532	8,956,175	9,411,203	9,800,889	9,662,989	Oct. 1, 1983	Jan. 1, 1990
WAYNE	0.75	7,812,025	8,115,778	8,342,911	8,294,021	8,529,027	8,486,153	Mar. 1, 1971	Jan. 1, 1992
WILLIAMS	1.50	3,266,628	4,535,311	4,529,832	4,754,966	4,923,737	4,942,414	Dec. 1, 1977	Oct. 1, 2003
WOOD	1.00	13,619,983	14,195,793	14,802,876	14,809,636	15,403,260	15,949,426	June 1, 1971	Nov. 1, 1987
WYANDOT	1.50	1,813,228	1,865,055	1,932,519	2,806,218	2,705,482	2,691,934	Feb. 1, 1985	Oct. 1, 2005
COUNTY TOTAL		\$1,140,944,340	\$1,200,755,686	\$1,221,774,249	\$1,361,669,941	\$1,405,634,797	\$1,396,160,722		
CLEVELAND RTA (CUYAHOGA CO.)	1.00	\$158,653,957	\$167,894,949	\$167,165,307	\$169,262,438	\$173,161,230	\$170,707,698	Oct. 1, 1975	Oct 1, 1975
CENTRAL OHIO TA (FRANKLIN CO.)	0.50	43,205,469	44,940,803	44,741,979	46,371,674	47,598,995	88,246,021	Sep. 1, 1980	Jan 1, 2008
LAKETRAN TA (LAKE CO.)	0.25	7,440,529	7,637,135	7,552,509	7,728,333	7,913,161	7,744,815	Aug. 1, 1988	Aug 1, 1988
GREATER DAYTON RTA (MONTGO- MERY CO.)	0.50	32,290,326	32,783,222	32,923,985	32,363,030	32,185,370	32,149,806	July 1, 1980	Jul 1, 1980
PORTAGE AREA RTA (PORTAGE CO.)	0.25	3,281,207	3,390,061	3,412,879	3,583,445	3,705,852	3,775,726	Feb. 1, 2002	Feb 1, 2002
STARK AREA RTA (STARK CO.)	0.25	10,689,964	11,371,235	11,287,333	11,525,065	11,785,691	11,696,465	July 1, 1997	Jul 1, 1997
METRO TA (SUMMIT CO.)	0.50	16,995,514	17,605,364	17,749,845	17,989,459	18,306,155	24,848,457	Feb. 1, 1991	Jul 1, 2008
TRANSIT AUTHORITY TOTAL		\$272,556,965	\$285,622,770	\$284,833,837	\$288,823,443	\$294,656,453	\$339,168,988		
GRAND TOTAL		\$1,413,501,305	\$1,486,378,456	\$1,506,608,086	\$1,650,493,384	\$1,700,291, 250	\$1,735,329,710		

Note: Some counties and transit authorities have repealed and then re-enacted the tax, or have changed the tax rate since the first enactment.

Source: Department of Taxation, Revenue Accounting Division.