

2002

Ohio's Taxes

A Brief
Summary of
Major State
and
Local Taxes
in Ohio



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Greetings from the Tax Commissioner

Welcome to a publication that may be our most popular and heavily used: **2002 Ohio's Taxes - A Brief Summary of Major State and Local Taxes in Ohio.**



This pocket-sized publication is packed with descriptions of and important information on every significant tax at the state and local levels.

For each tax, this publication describes the tax rates, the taxpayer, the revenue raised, and where it is distributed. There are details on exemptions, special provisions, and credits. This publication also provides a history of major changes to the tax, a comparison with other states, and much more. It is among the most useful tax reference guides you'll find. **Please note** that as we were about to go to press with this publication, the Ohio General Assembly enacted Substitute Senate Bill 261. This bill increased the cigarette tax by 31 cents per pack, subjected the undistributed income of trusts to the personal income tax (taxed for three years only), and spread out the benefits over six years to Ohio businesses of the bonus depreciation enacted by the federal government. These changes are not reflected in the text of the publication.

The Ohio Department of Taxation is changing as we continue to work on our four major goals of enhancing taxpayer services, modernizing the tax system, providing quality in all we do by exceeding expectations, and replenishing a staff that is rapidly turning over because of retirements.

We remain committed to providing quality service to the taxpayers of Ohio as we help them comply with tax laws that we will apply fairly to all. This publication demonstrates our continued commitment to all of these goals.

Very truly yours,

Thomas M. Zaino
Ohio Tax Commissioner

OHIO'S TAXES

This publication, **2002 Ohio's Taxes - A Brief Summary of Major State and Local Taxes in Ohio**, includes the following information on each tax:

- Tax Base
- Tax Rate
- Major Exemptions
- Revenue
- Disposition of Revenue
- Sections of the Ohio Revised Code
- Responsibility for Administration
- Remitter of Tax
- Payment Dates
- Special Provisions / Credits
- History of Major Changes
- Comparison with Other States

Due to the declining economy and a projected budget deficit, the General Assembly enacted tax law changes impacting the fiscal years 2002-2003 biennium. The passage of Amended Substitute House Bill 405, which occurred in December of 2001, was in response to an estimated deficit of \$1.5 billion. Amended Substitute House Bill 405 made three significant changes to state tax law. First, beginning February 1, 2002, sales taxes on taxable leases must be paid up front. Second, the minimum allowable discount rate for cigarette stamp payments is reduced from 3.6 to 1.8 percent. Third, dealers in intangibles owned by financial institutions become subject to the dealers in intangibles tax beginning with the 2003 payments.

Under previously enacted law, the assessment rate for tangible personal property tax on inventories declines to 24 percent from 25 percent in tax year 2002. Amended Substitute House Bill 94, the current state budget, freezes for two years the allocation of monies to the local government funds at the fiscal year 2001 levels. Finally, because there was no surplus in state funds, the tax year 2001 personal income tax rates return to the statutory rates for the first time since 1995.

Data for the Comparison with Other States came from Commerce Clearing House, revenue agency websites, or discussion with personnel in other revenue agencies. The information in this publication is current as of May 2002.

For current and historical tax data,
please visit our web site:
www.state.oh.us/tax

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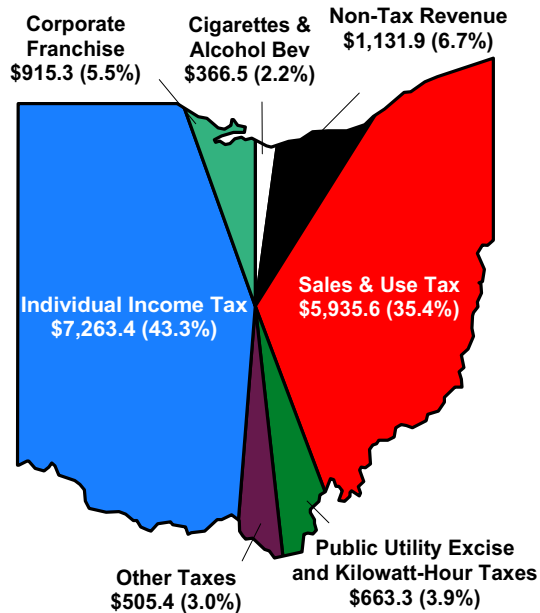
EXPLANATION OF REVENUE FIGURES

The state tax revenue figures in this publication generally differ from the figures shown in the 2001 Annual Report of the Ohio Department of Taxation. This publication uses official revenues received and accounted for by the state, as reported by the Office of Budget and Management from the State of Ohio accounting system. The Annual Report uses tax liability figures derived from tax returns and reported by taxpayers, or taxes levied against taxpayers.

The two publications provide complimentary but different profiles of the Ohio tax system. This publication provides an overview of all taxes in the state and how they compare to other states. Revenue figures display the yield from taxes on a "cash" basis. The Annual Report provides a more detailed description of the nature of each tax and analysis of the incidence of each tax on various groups or categories of taxpayers or by income class. This information comes from tax returns or is based on taxes levied, rather than from accounting records.

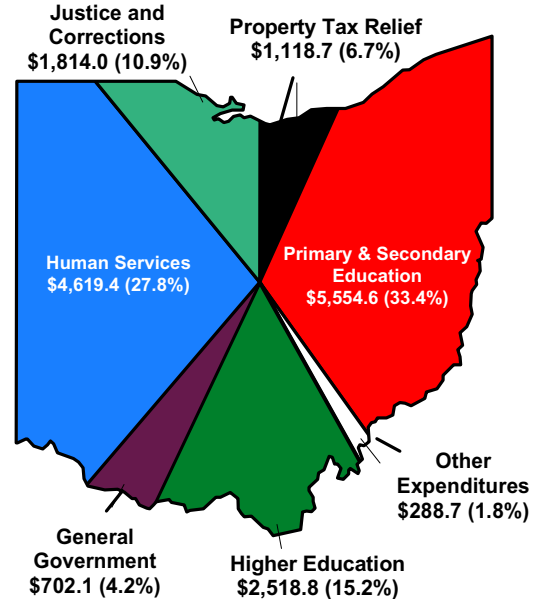
GENERAL REVENUE FUND SOURCES

FISCAL YEAR 2001: \$16,781.4 MILLION
(EXCLUDING FEDERAL AID)



GENERAL REVENUE FUND EXPENDITURES

FISCAL YEAR 2001: \$16,616.3 MILLION
(EXCLUDING FEDERAL AID)



REVENUE SOURCES

FY 2001 COLLECTIONS (IN MILLIONS OF DOLLARS)

Individual Income Tax		\$7,263.4
Sales and Use Tax		5,935.6
Corporate Franchise Tax		915.3
Public Utility Excise Tax		640.5
Cigarette Tax		282.5
Alcoholic Beverage Tax		84.0
Kilowatt-Hour Tax		22.8
Other Taxes:		
Foreign Insurance Tax	\$220.6	
Estate Tax	166.0	
Domestic Insurance Tax	109.3	
Dealers in Intangibles Tax	<u>9.5</u>	
Total		\$505.4
Non-tax Revenue:		
Earnings on Investments	\$153.4	
Liquor Profits	102.0	
Miscellaneous	<u>876.5</u>	
Total		<u>\$1,131.9</u>
TOTAL		\$16,781.4

EXPENDITURE CATEGORIES

FY 2001 EXPENDITURES (IN MILLIONS OF DOLLARS)

Primary & Secondary Education		\$5,554.6
Higher Education		2,518.8
Human Services:		
Public Assistance	\$3,505.2	
Mental Health & Retardation	842.1	
Miscellaneous	<u>272.1</u>	
Total		\$4,619.4
General Government:		
Transportation	\$39.8	
Environment & Natural Resources	129.6	
Economic Development	180.6	
Miscellaneous	<u>352.1</u>	
Total		\$702.1
Property Tax Relief		1,118.7
Justice and Corrections		1,814.0
Other Expenditures		<u>288.7</u>
TOTAL		\$16,616.3

COMPARING STATE TAX BURDENS

Each year, the U.S. Census Bureau compiles data on tax burdens in each of the states. Data for tax year 1998-1999 is the most recent which is 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. For state and local taxes on a per capita basis, Ohio ranked 20th. As a percentage of personal income, Ohio ranked 23rd. 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 state of all 50 states.

State	Total Taxes		Total Taxes as a Percentage	
	Per Capita	Rank	of Income	Rank
California	\$3,167	12	11.4%	15
Florida	2,663	28	10.0%	44
Illinois	3,131	14	10.5%	34
Indiana	2,621	31	10.5%	37
Kentucky	2,464	38	11.1%	21
Massachusetts	3,606	4	10.9%	26
Michigan	3,032	15	11.4%	14
New Jersey	3,878	3	11.4%	13
New York	4,515	2	14.0%	1
OHIO	2,869	20	11.0%	23
Pennsylvania	2,934	18	10.7%	32
Texas	2,456	39	9.7%	46
West Virginia	2,368	43	11.7%	10

HIGHEST AND LOWEST TAX BURDEN STATES

Connecticut	\$4,536	1	-	-
Alabama	2,007	50	-	-
New York	-	-	14.0%	1
Tennessee	-	-	8.8%	50

Note: Data for tax year 1998-1999 is the latest year available.

State government taxes are generally for the period of July 1, 1998 through June 30, 1999, while local government taxes are generally for calendar year 1998.

ALCOHOLIC BEVERAGE TAXES

TAX BASE

Beer, wine, mixed beverages, and liquor.

RATES

Beer	
Barrel (31 gallons)	\$5.58
Containers (over 12 oz.) per six ounces	0.84 cent
Containers (12 oz. or less) per ounce	0.14 cent
Wine	
Less than 14% alcohol by volume	32 cents per gallon
14% to 21% alcohol by volume	\$1.00 per gallon
Apple Cider*	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

* Alcoholic content over 1/2%.

MAJOR EXEMPTIONS

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

REVENUE (IN MILLIONS)

Fiscal Year	Beer	Wine & Mixed Beverages	Liquor	Total
1998	\$45.0	\$8.1	\$27.3	\$80.4
1999	46.1	8.3	27.7	82.1
2000	46.9	9.0	28.5	84.4
2001 ⁽¹⁾	46.9	8.8	29.0	84.7

⁽¹⁾ For Fiscal Year 2001, \$84.0 million was distributed to the General Revenue Fund and \$0.7 million to the Ohio Grape Industries Fund.

DISPOSITION OF REVENUE

General Revenue Fund.
 Ohio Grape Industries Fund (ORC 4301.432) (five cents per gallon of wine, two cents of which is a temporary levy).

SECTIONS OF OHIO REVISED CODE

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

ALCOHOLIC BEVERAGE TAXES

RESPONSIBILITY FOR ADMINISTRATION

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

REMITTER OF TAX

Manufacturers, Importers, Wholesale Distributors (beer, wine, and mixed beverages).
 Division of Liquor Control (liquor).

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

Taxpayers receive a three percent credit for advance payment of the tax on beer. Taxpayers receive a three percent discount for timely payment on wine and mixed beverages.

Ohio is a liquor monopoly state. Profits deposited in the General Revenue Fund in Fiscal Year 2001 were \$102.0 million, in addition to the liquor gallonage tax revenue.

Any licensed Ohio brewer whose total production, wherever produced, is less than 31 million gallons a 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.

Any licensed Ohio wine producer whose total production, wherever produced, does not exceed 500,000 gallons a year will be allowed in the following year a tax exemption for all, but two cents per gallon.

Counties and Convention Facilities Authorities may levy taxes of up to 16 cents per gallon on sales of beer, 32 cents per gallon on sales of wine and mixed beverages, 24 cents per gallon on sales of apple cider, and three dollars per gallon on the sale of spirituous liquor. This revenue is to be used for the construction of a sports facility. Cuyahoga County has adopted this tax as of August 1, 1990. (See **ALCOHOLIC BEVERAGE TAXES-COUNTY**.)

ALCOHOLIC BEVERAGE TAXES

HISTORY OF MAJOR CHANGES

- 1933 • Beer and malt beverages taxed at \$1.00 per barrel.
 - Wine taxed at 10% of retail price.
- 1934 • Liquor gallonage taxed at \$1.00 per gallon.
 - Rate on bottled beer and malt beverages set at .75 cents per six ounces.
- 1935 • Mixed beverages taxed at 10% 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% alcohol) 12 cents per gal.
 - Wine (14% to 21% alcohol) 30 cents per gal.
 - Vermouth 60 cents per gal.
 - Sparkling wine and champagne \$1.00 per gal.
- 1959 • Sales of wine and mixed beverages subject to sales tax.
 - Beer tax increased to \$2.50 per barrel.
- 1967 • Beer and malt beverages subject to sales tax.
- 1969 • Liquor gallonage tax increased to \$2.25 per gallon.
 - Mixed beverages increased to 80 cents per gallon.
 - Wine tax revised as follows:
 - Wine (less than 14% alcohol) 24 cents per gal.
 - Wine (14% to 21% alcohol) 60 cents per gal.
 - Vermouth 75 cents per gal.
 - Sparkling wine and champagne \$1.25 per gal.
- 1981 • Temporary tax increases on beer, malt beverages, wine, and mixed beverages during the period January-June 1981.
- 1982 • Credit against taxes for Ohio brewers and wine producers.
 - Two cents per gallon excise tax increase on wine.
 - Three cents per gallon of wine earmarked for grape industries.

ALCOHOLIC BEVERAGE TAXES

HISTORY OF MAJOR CHANGES (con't.)

- 1982 • Repeal distinction between “beer” and “malt beverages.”
 - Tax on beer in containers of 12 ounces or less changed to 0.125 cent per ounce.
- 1989 • Barreled beer rate increased \$1.00 to \$3.50 per barrel.
- 1992 • Alcoholic beverage and liquor gallonage rates increased.
- 1995 • An additional two cents of the excise tax on wines 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 cent/gallon credit to the Ohio Grape Industries Fund until July 1, 2001.
- 2001 • Continuation of the two cent/gallon credit to the Ohio Grape Industries Fund until July 1, 2003.

COMPARISON WITH OTHER STATES⁽¹⁾ (AS OF 12/01)

California

Beer	\$6.20 per bar.
Still Wines (less than 14%)	20 cents per gal.
Sparkling hard cider (14% or more)	20 cents per gal.
Champagne, Sparkling Wine	30 cents per gal.
Distilled Spirits (less than 50%)	\$3.30 per gal.
Distilled Spirits (50% or more)	\$6.60 per gal.

ALCOHOLIC BEVERAGE TAXES

COMPARISON WITH OTHER STATES⁽¹⁾ (con't.)

Florida

Malt beverages	48 cents per gal.
(in containers less than one gallon)	6 cents per pint or fraction
Beverages and Wine (0.5% to less than 17.259%)	\$2.25 per gal.
Wine (17.259% or more)	\$3.00 per gal.
Wine Coolers	\$2.25 per gal.
Natural Sparkling Wine	\$3.50 per gal.
Beverages, other than Wine, (17.259% to 55.78%)	\$6.50 per gal.
Spirits	\$9.53 per gal.

Illinois

Beer (between 0.5% to 7%)	18.5 cents per gal.
Wine (7% or less)	73 cents per gal.
Alcohol and Spirits (20% or more)	\$4.50 per gal.

Indiana

Beer and Hard Cider	11.5 cents per gal.
Wine (less than 21%)	47 cents per gal.
Wine and Liquor (21% or more)	\$2.68 per gal.

Kentucky

Beer	\$2.50 per bar.
Wine	50 cents per gal.
Spirits	\$1.92 per gal.

Massachusetts

Beer	\$3.30 per bar.
Still Wine	55 cents per wine gal.
Sparkling Wine and Champagne	70 cents per wine gal.
Other Alcoholic Beverages:	
(15% or less)	\$1.10 per wine gal.
(over 15% to 50%)	\$4.05 per wine gal.
(over 50%)	\$4.05 per proof gal.

Michigan

Beer	\$6.30 per bar.
Wine (16% or less):	
Michigan grapes	one cent per lit.
Non-Michigan grapes	13.5 cents per lit.

ALCOHOLIC BEVERAGE TAXES

COMPARISON WITH OTHER STATES⁽¹⁾ (con't.)

(Michigan Cont.)

Wine (over 16%):	
Michigan grapes	one cent per lit.
Non-Michigan grapes	20 cents per lit.
Liquor (21% or more):	
On premises	12% of price
Off premises	9.85% of price
Mixed Drinks	48 cents per liter

New Jersey

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

New York

Beer	12.5 cents per gal.
Still Wine	18.93 cents per gal.
Artificial Sparkling Wine	18.93 cents per gal.
Natural Sparkling Wine	18.93 cents per gal.
Liquor (24% or less)	67 cents per lit.
Liquor (more than 24%)	1.70 cents per lit.

Ohio

Beer: barrels	\$5.58 per bar.
Beer: Containers (over 12 oz.)	0.84 cent per 6 oz.
Beer: Containers (12 oz. or less)	0.14 cent per 1 oz.
Wine (less than 14%)	32 cents per gal.
Wine (14% to 21%)	\$1.00 per gal.
Apple Cider*	24 cents per gal.
Vermouth	\$1.10 per gal.
Sparkling Wine, Champagne	\$1.50 per gal.
Mixed Beverages	\$1.20 per gal.
Liquor	\$3.38 per gal.

Pennsylvania

Liquor	18% of price (including all applicable federal excise taxes and allowed markups)
Wine	0.5 cent per unit proof per gal.
Beer	\$2.48 per barrel

ALCOHOLIC BEVERAGE TAXES

COMPARISON WITH OTHER STATES⁽¹⁾ (con't.)

Texas

Beer	\$6.00 per barrel
Wine (14% or less)	20.4 cents per gal.
Wine (over 14%)	40.8 cents per gal.
Sparkling Wine	51.6 cents per gal.
Malt Liquor (over 4%)	19.8 cents per gal.
Distilled Spirits	\$2.40 per gal.

West Virginia

Beer	\$5.50 per barrel
Wine	26.406 cents per liter
Liquor	5% of purchase price

⁽¹⁾ Percentages in parentheses refer to alcohol content.

* Alcohol content over 1/2%.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

TAX BASE

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

RATES

Cigarettes: 1.2 cents per cigarette (24 cents per package of 20 cigarettes), increased to 55 cents July 1, 2002.
Other tobacco products: 17% of wholesale price.

REVENUE (IN MILLIONS)

Fiscal <u>Year</u>	<u>Total</u>
1998	\$296.6
1999	290.6
2000	287.7
2001	282.5

DISPOSITION OF REVENUE

General Revenue Fund.

SECTIONS OF OHIO REVISED CODE

Chapter 5743.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

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 product 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.

SPECIAL PROVISIONS / CREDITS

The Tax Commissioner is required to allow cigarette dealers a minimum discount of 1.8% of face value on the purchase of tax stamps or meter impressions as a commission for affixing and cancelling them. The current applicable rate is 1.8%. For other tobacco product dealers, a 2.5% discount is given for timely payment. Counties may levy taxes of up to 0.225 cent 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 TAX-COUNTY.**)

HISTORY OF MAJOR CHANGES

<u>Year</u>	<u>Total Tax Rate Per Pack of 20</u>
1931 • Tax enacted.	2 cents
1956 • 1 cent rate increase.	3
1959 • 2 cents rate increase.	5
1969 • 5 cents rate increase.	10
1971 • 5 cents rate increase. • Cigarettes exempted from sales tax.	15
1981 • 1 cent rate decrease. • Cigarettes made subject to sales tax.	14
1983 • Tax changes to a per cigarette rate of 0.7 cent.	14

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

HISTORY OF MAJOR CHANGES (con't.)

<u>Year</u>		<u>Total Tax Rate Per Pack of 20</u>
1986	• Counties authorized to levy permissive cigarette tax for funding the building of a sports facility	14 cents
1987	• 0.2 cent per cigarette increased.	18
1991	• All cigarette tax revenues to be allocated to the General Revenue Fund when capital improvement bonds are 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 product tax enacted at 17% of the wholesale price. • 0.3 cent per cigarette increased.	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). • 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.	24
2001	• Reduced minimum allowable cigarette stamp discount rate from 3.6% to 1.8%.	24

CIGARETTE AND OTHER TOBACCO PRODUCTS TAX

COMPARISON WITH OTHER STATES (AS OF 12/02)

<u>State</u>	<u>Cigarette Tax Rate Per Pack of 20 (amount in cents)</u>	<u>Other Tobacco Product Rates (percent of wholesale price)</u>
California	87.0 ⁽¹⁾	54.89%
Florida	33.9	25.0 ⁽²⁾
Illinois ⁽³⁾	98.0	18.0
Indiana	55.5	15.0
Kentucky	3.0	--
Massachusetts ⁽⁴⁾	151.0	75.0
Michigan	125.0	16.0
New Jersey	150.0	48.0
New York ⁽⁵⁾	150.0	20.0
Ohio	55.0	17.0
Pennsylvania	100.0	--
Texas	41.0	35.213 ⁽⁶⁾
West Virginia	17.0	--

⁽¹⁾ Includes an additional 50 cent tax on cigarettes.

⁽²⁾ Tax on smoking tobacco, chewing tobacco, and snuff.

⁽³⁾ There is a "like" use tax of 58 cents per pack of unstamped cigarettes.

⁽⁴⁾ There is a separate 15% rate on cigars and smoking tobacco.

⁽⁵⁾ There is a "like" use tax of 56 cents per pack of unstamped cigarettes.

⁽⁶⁾ Cigars are taxed at 1.5 cents per cigar.

CORPORATE FRANCHISE TAX

TAX BASE

The corporate 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): Federal taxable income is used as the beginning point, plus or minus any Ohio adjustments. From the resulting tax base, certain types of income are allocated to Ohio or outside of Ohio according to Ohio franchise tax law and the remaining (unallocated) income is multiplied by the Ohio apportionment ratio to yield apportioned 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 within Ohio to property everywhere, multiplied by 20%), a payroll factor (the ratio of payroll within Ohio to payroll everywhere, multiplied by 20%), and a sales factor (the ratio of sales within Ohio to sales everywhere, multiplied by 60%).

RATES

General Rate (excluding financial institutions):

The general franchise tax rates are as follows:

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% on the first \$50,000 of Ohio net income plus 8.5% 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% rate applies, regardless of whether or not the corporations filed combined.)

The minimum fee is \$50.

CORPORATE FRANCHISE TAX

RATES (con't.)

In addition, corporations are subject to an additional (litter) tax. Each corporation is subject to the tier one litter tax, and "litter-stream" corporations are also subject to the tier two 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.

(Neither the net income tax nor the litter tax apply.)

MAJOR EXEMPTIONS

- Non-profit corporations.
- Dealers in intangibles (stockbrokers, mortgage companies, etc.).
- Insurance companies, HMO's, and other corporations required to file annual reports with the superintendent of insurance.
- Public utilities (except railroads, long-distance telephone companies and electric 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 income base of the franchise and litter taxes).
- Qualifying holding companies are exempt from the net worth base.

CORPORATE FRANCHISE TAX

REVENUE (IN MILLIONS)

Fiscal Year	General Rev. Fund	Local Gov't. Funds	Other Funds ⁽¹⁾	Total
1998	\$1,190.6	\$60.4	\$17.7	\$1,268.7
1999	1,078.7	54.7	16.9	1,150.3
2000	969.4	48.9	11.6	1,029.9
2001	915.3	46.1	11.6	973.0

⁽¹⁾ Includes litter funds, and Attorney General Claims Fund; also includes Rail Development Fund for Fiscal Years 1998 and 1999.

DISPOSITION OF REVENUE

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

For fiscal years 2002 and 2003, the two local government funds each receive the same amount of corporate franchise tax revenue as they received in fiscal year 2001. The remainder is deposited in the General Revenue Fund. 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.

SECTIONS OF OHIO REVISED CODE

Chapter 5733.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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).

PAYMENT DATES

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

CORPORATE FRANCHISE TAX

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.

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% 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 "enterprise zones" 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.

For tax years 1990 - 2003, three separate nonrefundable credits are available for Ohio - licensed child day-care used by a taxpayer's employees. One credit is equal to the lesser of \$100,000 or 50% of the expenses that the taxpayer incurred to establish a child-day care center located at the taxpayer's worksite. Another credit equals 50% of support payments made by the taxpayer to those child-day care centers serving the children of the taxpayer's employees. The third credit equals 50% of the amount that the taxpayer reimbursed its employees for child day-care expenses, but the credit may not exceed \$750 per child.

CORPORATE FRANCHISE TAX

SPECIAL PROVISIONS / CREDITS (con't.)

If approved by the Tax Credit Authority, a refundable tax credit may be taken for new jobs creation. The credit is equal to a designated percentage of the state income tax withheld from the wages paid to the taxpayer's new employees.

A nonrefundable credit may be taken for manufacturing machinery and equipment purchased between July 1, 1995 and December 31, 2005 and located in Ohio. For equipment not located in an eligible area, the credit is 7.5% 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 an eligible area, the credit percentage is 13.5% rather than 7.5%.

A nonrefundable credit may be claimed by grape producers equal to 10% 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 a qualifying small Ohio-based research and development or technology transfer companies. The credit is 25% of the amount of capital invested by the taxpayer in the qualifying company.

A nonrefundable credit is provided equal to one-half of average annual costs for an eligible job training program, subject to maximum of \$1,000 per trained employee and \$100,000 maximum per taxpayer. (Delayed until 2004.)

A nonrefundable credit is available equal to 7% 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. (Delayed for most taxpayers until 2004.)

A nonrefundable credit is available to an affiliated group if such group pays over \$3.5 million in additional tax as the 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.

CORPORATE FRANCHISE TAX

SPECIAL PROVISIONS / CREDITS (con't.)

A nonrefundable credit is provided to railroad companies equal to 10% 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 development equal to 10% of a company's costs incurred in completing a voluntary cleanup of a contaminated site (not to exceed \$500,000). Authority to grant tax credits to additional companies expired on June 30, 1999.

A nonrefundable credit is available to electric companies amounting to \$3 per ton of Ohio coal used in a coal-fired electric generating unit.

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.

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 is subject to an "exit tax" on its unreported Ohio net income. Any income not previously included in a franchise tax report is subject to the exit tax.

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.

CORPORATE FRANCHISE TAX

SPECIAL PROVISIONS / CREDITS (con't.)

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.

HISTORY OF MAJOR CHANGES

- 1902 • Enacted at rate of 1 mill on value of capital stock located in Ohio.
- 1959 • Rate increased to 3 mills.
- 1967 • Rate increased to 4 mills.
- 1969 • Rate increased to 5 mills.
- 1971 • Income base added; 4% on first \$25,000 of net income, 8% on income over \$25,000.
- 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 mills on net worth, or 0.11% on the first \$25,000 of income and 0.22% 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% on the first \$25,000 of income and 0.44% on income over \$25,000. Maximum tax of \$10,000.
- 15% surtax imposed for tax year 1981.
- 1981 • Increase in regular corporate rates to 5.5 mills on net worth and to 4.6% and 8.7% 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% surtax imposed for tax year 1982.
- 1982 • 5.75% surtax imposed for tax year 1983.

CORPORATE FRANCHISE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 1983 • Increase in regular corporate rates to 5.82 mills on net worth and to 5.1% and 9.2% on net income plus a 5.4% surtax. The minimum tax was reduced to \$50.
 - Increase in financial institution 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% in 1987, repealed in 1988.
 - "S" corporations exempted from corporate franchise tax for year 1987 and thereafter.
- 1986 • Decrease in regular corporate tax on net income top rate to 8.9% effective 1988; lower bracket doubled to first \$50,000 of net income effective 1989.
- 1987 • Long-distance telephone companies subject to corporate franchise tax effective tax year 1988.
 - Litter tax rates continued through 1993.
- 1989 • Corporations undergoing "F" reorganizations subject to tax.
- 1991 • Income transferred to passive investment corporations is subject to tax and certain costs and expenses paid to those corporations are disallowed.
- 1992 • Credit for increased exports.
 - Credit for new jobs created.
 - Railroads are explicitly subject to corporate franchise tax effective tax year 1993.
 - Litter tax rates extended to 1995.
- 1994 • 20% investment tax credit enacted.
 - Enterprise zone subsidized employment credit enacted.
 - Grape production credit enacted.
 - Litter tax rates made permanent.
- 1995 • 7.5%/13.5% investment tax credit enacted.
 - Portion of corporate franchise tax payments made by railroads earmarked for the rail development fund (expired in fiscal year 2000).

CORPORATE FRANCHISE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 1996 • Credit is given for costs incurred completing voluntary clean-up of a contaminated site.
- Credit is given for investors who make qualified investments in an Ohio early stage investment entity.
- "Alternative" 20% investment tax credit enacted.

- 1997 • Eligible investment period for 7.5%/13.5% investment tax credit extended to 12/31/2000.
- Effective tax year 1999, net worth tax is simplified, the tax rate is lowered to 4 mills and the maximum liability is \$150,000; top net income tax rate also lowered to 8.5%. Tax on financial institutions is 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 investment period for the 7.5%/13.5% investment tax credit extended to 12/31/2005.
- Effective tax year 2001, credit is 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 is available for costs of maintaining active railroad grade crossing devices.
- Electric utilities subject to corporate franchise tax effective in 2002.
- Credit of \$3 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 10/5/00 and 10/4/01.
- Job training credit changes enacted.

- 2001 • Job training tax credit delayed until tax year 2004 and is 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).

CORPORATE FRANCHISE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 2001 • Effective tax year 2003, credit is available on investments made by a financial institution in a dealer in intangibles.
- Effective tax year 2003, credit is available for fostering job retention.
- Effective tax year 2003, net worth exemption for high-tech start-ups for first three years of existence.

COMPARISON WITH OTHER STATES (AS OF 11/01)

California

8.84% of net income.

Florida

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

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

Illinois

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

Indiana

4.5% of net income (Indiana adjusted gross income less taxes paid). In addition, the greater of adjusted gross income tax (3.4% of federal taxable income with adjustments) or gross income tax (0.3% and 1.2% rates applied according to source of the income).

Kentucky

<u>Taxable Net Income</u>	<u>Rate</u>
Up to \$25,000	4.00%
\$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% on capital employed.

CORPORATE FRANCHISE TAX

COMPARISON WITH OTHER STATES (con't.)

Massachusetts

9.5% of net income plus 0.26% of either net worth or value of tangible property.

Michigan

Adjusted tax base includes business income, compensation paid to employees, interest payments, and depreciation of tangible assets. For taxpayers with fiscal year ending in December, the tax year 2001 rate is 2.0%

New Jersey

7.5% on corporations with under \$100,000 of net income and 9.0% on corporations with over \$100,000 of net income.

New York

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

Ohio

Greater of 5.1% of the first \$50,000 of net income and 8.5% of net income over \$50,000, or 0.4% of net worth (maximum \$150,000), or \$50. Additional rates on all corporations except "litter stream corporations" are 0.11% and 0.22% of net income or 0.014% of net worth, with a maximum tax from these rates of \$5,000; additional rates on "litter stream corporations" are 0.11% and 0.44% of net income or 0.028% of net worth, with a maximum tax from these rates of \$10,000.

Pennsylvania

9.99% of net income plus 0.749% of taxable value of capital stock.

Texas

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

West Virginia

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

DEALERS IN INTANGIBLES TAX

TAX BASE

Shares in or capital employed by dealers in intangibles.

RATE

Eight mills (0.8%) of value.

MAJOR EXEMPTIONS

United States government securities.

REVENUE (IN MILLIONS)

Fiscal Year	GRF	Local Portion	Total ⁽¹⁾
1998	\$6.4	\$10.5	\$16.9
1999	6.2	10.3	16.5
2000	8.7	13.6	22.3
2001	9.5	15.4	24.9

⁽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 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.

SECTIONS OF OHIO REVISED CODE

Chapters 5707, 5719, and 5725.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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

DEALERS IN INTANGIBLES TAX

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.

HISTORY OF MAJOR CHANGES

1931 • Enacted at 5 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 are subject to dealers in intangibles tax. All revenue generated from such taxpayers is deposited in the state General Revenue Fund.

COMPARISON WITH OTHER STATES

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

ESTATE TAX

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% of Taxable Estate
\$40,001 - 100,000	\$800 + 3% of excess over \$40,000
100,001 - 200,000	2,600 + 4% of excess over 100,000
200,001 - 300,000	6,600 + 5% of excess over 200,000
300,001 - 500,000	11,600 + 6% of excess over 300,000
500,001 and over	23,600 + 7% of excess over 500,000

MAJOR EXEMPTIONS

Marital Deduction

For estates of decedents dying on or after July 1, 1993, a marital deduction is allowed in an amount equal to the net value of any asset passing from the decedent to the receiving 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)*

Fiscal Year	Local Governments	General Revenue Fund	Total
1998	\$209.0	\$114.8	\$323.8
1999	267.0	141.5	408.5
2000	294.7	140.0	434.7
2001	285.6	166.0	451.6

* 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 a date of death during 2001: 70 percent to the municipal corporation or township of origin; 30 percent, less costs of local administration, to the state General Revenue Fund.

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.

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.

REMITTER OF TAX

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

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 during 2001, the credit is equal to the lesser of \$6,600 or the amount of the estate tax owed. This effectively exempts the first \$200,000 of the taxable estate from taxation.

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.

ESTATE TAX

SPECIAL PROVISIONS / CREDITS

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 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. The tax is levied on every generation-skipping transfer of property (other than a direct skip) 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 five percent of the amount of the generation-skipping transfer tax imposed.

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.

ESTATE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 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 becomes effective July 1, 1993.
- 1997 • Excludes from taxable estate that portion of an annuity or other death benefit plan contributed by an employer. Effective March 7, 1997.
- 1999 • Increases 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.
 - Increases 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 in 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.
 - A deduction is created for qualified family-owned business interests.
- 2001 • Adoption of provisions (where certain circumstances apply) increasing from nine months to thirteen 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.

ESTATE TAX

COMPARISON WITH OTHER STATES

Ohio

Rates from 2% of taxable estate less than \$40,000 to \$23,600 plus 7% of excess over \$500,000.

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.

All of the above mentioned states, like **Ohio**, also levy an additional (pick-up) tax to take advantage of the maximum allowable federal credit for state estate taxes paid.

California, Florida, Illinois, Massachusetts, Michigan, New York, Texas, and West Virginia levy only a pick-up tax equivalent to the federal credit for state estate tax paid.

HORSE RACING TAX

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 Wagered Daily	Rate
First	\$200,000	1.0%
Next	100,000	2.0
Next	100,000	3.0
Over	400,000	4.0

Exotic Wagering

Three percent of the amount wagered daily.

REVENUE (IN MILLIONS)

Fiscal Year	Passport Fund	Thoroughbred Fund	Standardbred Fund	Other Funds	Total
1998	\$4.9	\$4.1	\$1.6	\$5.2	\$15.8
1999	5.1	4.2	1.7	5.5	16.5
2000	5.2	4.1	1.8	5.5	16.6
2001	5.5	4.2	1.9	5.7	17.3

DISPOSITION OF REVENUE

Distribution to	Amount
Passport Fund	25% of gross tax, 0.5% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor.
Agricultural Societies	Remainder after distributions to other funds plus 16.7% of the tax on exotic wagering conducted at county fairs.
Ohio Fairs Fund	0.5% of total wagering plus 8.3% of exotic wagering.

HORSE RACING TAX

DISPOSITION OF REVENUE (con't.)

Distribution to	Amount
Ohio Standardbred Development Fund	1.125% of total wagering on harness racing plus 8.3% of exotic wagering from harness races.
Ohio Quarter Horse Development Fund	0.625% of total wagering on quarter horse races plus 8.3% of exotic wagering from quarter horse races.
Ohio Thoroughbred Race Fund	1.125% of total wagering on thoroughbred races and 0.53% of total wagering on commercial harness races plus 8.3% of exotic wagering from thoroughbred races.
State Racing Commission Operating Fund	16.7% of the revenues from the 3.0% exotic wagering tax and 0.25% of exotic wagering on thoroughbred, harness, and quarter horse races.

SECTIONS OF OHIO REVISED CODE

Chapter 3769.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner administers tax.

Racing Commission regulates racing and licensing.

REMITTER OF TAX

Permit holder.

PAYMENT DATES

At the end of each racing day.

SPECIAL PROVISIONS / CREDITS

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

Major capital improvements credit: 1.0% of amount wagered is deducted from tax liability at tracks making an approved renovation costing \$6 million or more. The credit will not be allowed beginning 2015.

HORSE RACING TAX

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; racing days increased.
- 1976 • Quarter horse rates reduced.
- 1977 • Tax credit for reconstruction of damaged race tracks 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% major capital improvements credit with a minimum credit of \$10 million enacted.
- 1988 • Major capital improvements tax credit only applies to projects approved prior to March 29, 1988.
- 1989 • Exotic wagering rate increased from 2.5% to 3%.
- 1993 • Major capital improvements tax credit minimum level for eligibility lowered from \$10 million to \$6 million. Credit only applies to projects approved prior to March 29, 1988.

HORSE RACING TAX

HISTORY OF MAJOR CHANGES (con't.)

- 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% to 1% of wagering. Credit will end as of December 31, 2004.
- 1996 • Ohio Horse Racing Quality Assurance Fund eliminated. Twenty-five percent of gross tax revenues allocated to the Passport Fund. 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 credits 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 improvement credit to projects approved by Racing Commission prior to March 29, 1988 removed.
 - Additional tax of 0.25% on exotic wagering with revenues to be distributed to the State Racing Commission Operating Fund imposed.
 - \$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.

COMPARISON WITH OTHER STATES (AS OF 12/01)

Commercial Racing	
Rate Range	Type of Racing
California	
1.1%	All Horse Racing Quarter Horse Harness
0.4%	
0.4%	
Florida	
0.7% - 3.3%	Thoroughbred Dog
7.6%	

HORSE RACING TAX

COMPARISON WITH OTHER STATES (con't.) (AS OF 12/01)

Commercial Racing

Rate Range	Type of Racing
Illinois 1% - 2% 3.25% - 4.75%	All Horse Racing Exotic
Indiana⁽¹⁾ 2% - 2.5%	All Horse Racing
Kentucky 1.5% - 3.5%	All Horse Racing
Massachusetts 4.0% - 11.0% 4.0% - 11.0%	All Horse Racing All Dog Racing
Michigan 3.5%	All Horse Racing
New York 5% - 6% 6.75 - 7.75%	All Horse Racing Exotic Wagering
Ohio 1% - 4% 3%	All Horse Racing Exotic Wagering
Pennsylvania 1.5% - 2% Additional 0.7%	All Horse Racing Exotic Wagering
Texas 1% - 5% for live events depending on the betting pool 1% for simulcast pools regard- less of species or amount wagered	All Horse Racing and Greyhound Racing All Horse Racing and Greyhound Racing
West Virginia 0.4% - 1.4% 3.00% - 5.75% 4% - 8%	Thoroughbred Harness Dog

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

⁽¹⁾ In addition, 20 cents per paid admission charge at racetracks and satellite facilities is to be paid to the state department of revenue.

INDIVIDUAL INCOME TAX - STATE

TAX BASE

For individuals, the base is federal adjusted gross income plus or minus adjustment according to Ohio income tax law.

For estates, the base is federal taxable income plus or minus adjustment, according to Ohio estate income tax law. There are no personal exemptions or exemption credits allowed.

RATES (TAX YEAR 2001)

Ohio Taxable Income	Tax Calculation
0 - \$5,000	0.743% of Ohio taxable income
\$5,001 - 10,000	\$37.15 + 1.486% of excess over \$5,000
10,001 - 15,000	111.45 + 2.972% of excess over 10,000
15,001 - 20,000	260.05 + 3.715% of excess over 15,000
20,001 - 40,000	445.80 + 4.457% of excess over 20,000
40,001 - 80,000	1,337.20 + 5.201% of excess over 40,000
80,001 - 100,000	3,417.60 + 5.943% of excess over 80,000
100,001 - 200,000	4,606.20 + 6.900% of excess over 100,000
Over 200,000	11,506.20 + 7.500% 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 fiscal year 2001, there were no surplus funds, so the 2001 rates are the statutory rates. The tax rates for 2002 will not be set until July 2002, after the close of fiscal year 2002 (on June 30, 2002).

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. This computation is for tax year 2001.

(see following page)

INDIVIDUAL INCOME TAX - STATE

FEDERAL ADJUSTED GROSS INCOME (FAGI)

Add*

1. State and local bond interest (except Ohio governments).
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 which, absent ESBT treatment, would otherwise qualify as a grantor trust if the income is not included in FAGI.

Subtract*

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% of FAGI.
7. Gains from sale of Ohio public obligations to the extent included in FAGI.

*These lists include only commonly used items.

OHIO ADJUSTED GROSS INCOME



Subtract

Personal exemptions of \$1,150 each.



OHIO TAXABLE INCOME



Apply

Graduated rates of 0.743 to 7.5% for 2001 (see prior page)



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. Various business credits.
6. Job training credit.
7. Political contribution credit.
8. Adoption credit.
9. Joint filer credit for two working spouses (graduated based on income with a maximum credit of \$650).



OHIO PERSONAL INCOME TAX LIABILITY



Subtract

Credit for income earned in or taxed by another state.



OHIO NET PERSONAL INCOME TAX LIABILITY

INDIVIDUAL INCOME TAX - STATE

REVENUE (IN MILLIONS)

Fiscal Year	General Rev. Fund	Local and Library Funds	Other*	Total
1998	\$6,212.5	\$729.3	\$4.3	\$6,946.1
1999	6,416.8	753.2	3.8	7,173.8
2000	7,232.0	848.8	3.8	8,084.6
2001	7,263.4	852.5	3.4	8,119.3

* Includes Political Party Fund and Attorney General Claims Fund.

DISPOSITION OF REVENUE

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

For fiscal years 2002 and 2003, the three local government funds each receive the same amount of individual income tax revenue as they received in fiscal year 2001. The remaining revenue is 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.

The Political Party Fund receives 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% 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.

SECTIONS OF OHIO REVISED CODE

Chapter 5747.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

INDIVIDUAL INCOME TAX - STATE

REMITTER OF TAX

Individuals and estates residing in Ohio or earning or receiving income in Ohio.

Employers who pay wages and salaries to an Ohio resident.

PAYMENT DATES

For Individuals

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

Taxpayers file quarterly declarations if they expect to be under-withheld by more than \$500. Such taxpayers must file an estimated return and make quarterly payments on or before April 15, June 15, and September 15 of the current year and January 15 of the next year.

For Employers

Employers remit tax from several times a week to quarterly, depending on the size of payroll.

SPECIAL PROVISIONS / CREDITS

Standard Personal Exemption and Credit

Personal exemptions of \$1,150 per person for tax year 2001. 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% of tax
25,001 to 50,000	15% of tax
50,001 to 75,000	10% of tax
more than 75,000	5% 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.

INDIVIDUAL INCOME TAX - STATE

SPECIAL PROVISIONS / CREDITS (con't.)

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

Military Pay

Military pay is taxable (except combat zone pay) no matter where the individual is stationed if the individual is domiciled in Ohio. 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.

Reciprocity

An individual who is a resident of Ohio or one of the five surrounding states and whose income consists solely of compensation from any of those states need only file with the state of residence.

Resident/Nonresident Income Credits

Taxpayers who 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. Credit is for the lesser of \$500 or 50% percent of the training costs.

INDIVIDUAL INCOME TAX - STATE

SPECIAL PROVISIONS / CREDITS (con't.)

Political Contribution Credit

Taxpayers may claim a personal 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.

Adoption Credit

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

HISTORY OF MAJOR CHANGES

- 1912 • Constitutional amendment authorized income taxes.
- 1971 • Personal income tax enacted, effective for calendar year 1972.
- 1972 • Up to \$4,000 of retirement benefits exempted from adjusted gross income.
 - 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 for home improvements enacted.
- 1979 • Income tax credit for installation of a solar, wind, or hydrothermal energy system enacted (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 of 25% from 1981 tax rates for tax year 1982 and 12.5% for tax year 1983 enacted.
- 1983 • Two new brackets enacted in 1982 made permanent.
 - Provisions enacted allowing a taxpayer to claim for each \$650 personal exemption an additional \$350 exemption or \$20 credit.

INDIVIDUAL INCOME TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 1983 • 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 percent for 1985, an additional 5 percent for 1986, and an additional 5 percent (total of 15 percent) for 1987 and thereafter.
- 1986 • Maximum rate reduced to 6.9 percent; other rates reduced by 7 percent in 1987 and 8 percent in 1988 from rates enacted in 1985.
- 1987 • Home improvement credit repealed.
- 1988 • Income tax checkoff for qualified political parties established.
 - Child care credit implemented.
- 1989 • Accelerated employer withholding schedule implemented.
 - Tier II Railroad Retirement benefits exempted from taxation.
 - Twenty dollar personal exemption credit 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 tax year 1993.
- 1992 • Ninth income bracket above \$200,000 added to be taxed at 7.5 percent beginning in 1993.
 - Job creation credit enacted.
 - Export credit enacted.

INDIVIDUAL INCOME TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 1993 • Withholding payment requirements amended.
 - 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 go 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 (ITRF).
 - Personal exemption for taxpayer and spouse increased to \$950 in 1998 and \$1,050 in 1999.
- 1997 • Statutory tax rates for 1997 temporarily reduced by 3.987 percent because of budget surplus (ITRF).
 - 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 tax year 2000.
 - Requires tax on payments to certain nonresident shareholders of pass-through entities to be withheld at source.
- 1998 • Statutory tax rates for 1998 temporarily reduced by 9.339 percent because of budget surplus (ITRF).
- 1999 • Statutory tax rates for 1999 temporarily reduced by 3.627 percent because of budget surplus (ITRF).
 - 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 in 2001, deduction for tuition expenses for first two years of post-secondary education enacted.

INDIVIDUAL INCOME TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 2000 • Statutory tax rates for 2000 temporarily reduced by 6.929 percent because of budget surplus (ITRF).
- Deduction for contributions to the prepaid tuition and variable market tuition program enacted.
- Addition for income from an electing small business trust that also meets the definition of a grantor trust required.

COMPARISON WITH OTHER STATES

State/Rate ⁽¹⁾	Personal Exemptions ⁽¹⁾		
	Single	Married /Joint	Dependent
California ⁽²⁾	credits ⁽²⁾		
1% tax on the first \$11,496, up to 9.3% on portion of income over \$75,450.			
Florida	No Income Tax		
Illinois ⁽⁵⁾	\$2,000	\$4,000	\$2,000
3.0% on taxable net income.			
Indiana ⁽⁵⁾	\$1,000	\$2,000	\$1,000
3.4% on adjusted gross income.			
Kentucky ⁽⁵⁾	credits ⁽³⁾		
2% on first \$3,000, up to 6% on portion of income over \$8,000.			
Massachusetts ⁽⁵⁾	\$4,400	\$8,800	\$1,000
A rate of 5.6 percent on all business income, earned income, annuities, short term capital gains, interest, and dividends. This rate drops to 5.3 percent in 2002 and 5.0 percent in 2003. Capital gains on assets held more than one year are taxed on a declining basis from five percent on gains on assets held two years or less to zero percent tax on assets held more than six years.			
Michigan ⁽⁵⁾	\$2,900	\$5,800	\$2,900
4.2% on taxable income.			

INDIVIDUAL INCOME TAX - STATE

COMPARISON WITH OTHER STATES (con't.)

State/Rate ⁽¹⁾	Personal Exemptions ⁽¹⁾		
	Single	Married /Joint	Dependent
New Jersey	\$1,000	\$2,000	\$1,500
1.4% on first \$20,000 taxable income, up to 6.37% on portion of income over \$150,000.			
New York	\$1,000	\$1,000	\$1,000
4% on first \$16,000 of taxable income, up to 6.85% on portion of income over \$40,000.			
Ohio ^{(5) (3)}	\$1,150 ⁽⁴⁾	\$2,300 ⁽⁴⁾	\$1,150 ⁽⁴⁾
0.743% on first \$5,000 of taxable income, up to 7.5% on portion of income over \$200,000 for 2001.			
Pennsylvania ⁽⁵⁾	None		
2.8% on taxable income.			
Texas	No Income Tax		
West Virginia	\$2,000	\$4,000	\$2,000
3% on first \$10,000 of taxable income, up to 6.5% on portion of income over \$60,000.			

⁽¹⁾ The tax rate and exemptions are for tax year 2001 unless otherwise noted. For states with multiple schedules, the married filing joint rate is listed.

⁽²⁾ California has inflation-indexed personal income tax rate tables, standard deduction and personal exemption credit amounts. For tax year 2001, credits are \$79 for single, \$72 married, filing separately, and for head of household, \$158 for married, filing jointly, and \$247 per dependent. Tax rates shown are for 2001.

⁽³⁾ Kentucky and Ohio allow credits subtracted directly from tax liability. The credits are \$20 for single, \$40 for joint and \$20 per dependent.

⁽⁴⁾ Beginning in 2000, the exemptions for a taxpayer, spouse, and dependent(s) will be indexed for inflation.

⁽⁵⁾ States with only one tax schedule.

INSURANCE TAX - DOMESTIC

TAX BASE

The former tax base and calculation structure of the domestic insurance tax is being phased out. In 2002, taxpayers must determine both the old and new tax bases. (In 2003, only the new base will apply.)

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

New Base: Gross premiums.

RATES

In 2002, an insurance company pays 20% of the tax calculated under the old base and rates, plus 80% of the tax calculated under the new base and rate. (In 2003, only the new base and rate will apply.)

Old Tax Base Rates: 0.6% of capital and surplus, or 2.5% of gross premiums, whichever yields less tax.

New Tax Base Rates: 1.4% of gross premiums.

Minimum tax for 2002 is \$200. (In 2003, the minimum tax will be \$250.)

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund
1998	\$63.2
1999	77.5
2000	88.2
2001	109.3

DISPOSITION OF REVENUE

General Revenue Fund.

SECTIONS OF OHIO REVISED CODE

Sections 5725.18 to 5725.24 and 3737.71.

RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

REMITTER OF TAX

Insurance companies organized under Ohio law.

INSURANCE TAX - DOMESTIC

PAYMENT DATES

Director of Insurance 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.

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 premium sales to be phased in from tax year 1999 to 2003, with a maximum credit of \$200,000 in year 2003. In 2002, the maximum credit allowed is \$160,000.

Members of the Ohio Life and Health Guaranty Association are subject to assessment by the Association. Should a member become impaired or insolvent, the other members of the Association are assessed at a rate not to exceed 2 percent of their gross premiums to protect policy holders of the impaired or insolvent insurers. A 100% tax credit is given to the members of Ohio Life and Health Guaranty Association on their assessments paid to the Association.

Domestic insurers that are health insurance corporations are taxed at the rate of 1% of all premium payments, exclusive of payments received by Medicare and Medicaid.

HISTORY OF MAJOR CHANGES

- 1830 • 4% property tax on dividends paid by insurance companies.
- 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 the following:
 - 0.2% of capital and surplus.
 - 1.67% on premiums.
- 1971 • Franchise tax rate changed to smaller of the following:
 - 0.3% of capital and surplus.
 - 2.5% on gross premiums.

INSURANCE TAX - DOMESTIC

HISTORY OF MAJOR CHANGES (con't.)

- 1981 • Tax rate on capital and surplus increased to 0.6%.
- 1989 • Established the Ohio Life and Health Guaranty Association and assessment: 100% tax credit for assessment paid by participating insurers.
- 1997 • The rate for domestic insurers is to be reduced to 1.4%. This is to be phased in starting in tax year 1999 to 2002. Minimum tax of \$250 to be phased in over same period.
 - Tax credit for insurer groups with less than \$50 million in Ohio premium sales to be phased in from tax year 1999 to 2002. The threshold is increased to \$75 million from July 1, 1999.
 - The capital and surplus tax base will be phased out starting in tax year 1999 through 2002. Beginning with tax year 2003, the tax will be computed solely on gross premiums.

COMPARISON WITH OTHER STATES

<u>State</u>	<u>Tax Rate⁽¹⁾</u>
California	In general 2.35%; ocean marine insurers 0.5%; surplus line brokers 5% of gross premiums.
Florida	Annuities 1% ⁽²⁾ , wet marine and transportation 0.75%; commercial self-insurance fund, medical malpractice 1.6%; all others 1.75% of gross premiums.
Illinois	In general 2.0%; surplus line 3% of gross premiums.
Indiana	2% premium tax or may elect to pay the gross income tax.
Kentucky	In general, \$2 per \$100 of gross premiums.
Massachusetts	2.0% of taxable gross premiums, plus a surtax of 14.0% of the tax imposed.
Michigan	Single-business tax of 1.9916% in tax year 2002.
New Jersey	In general, 1.05% of gross premiums on group accident and health; all others 2.1%.

INSURANCE TAX - DOMESTIC

COMPARISON WITH OTHER STATES (con't.)

<u>State</u>	<u>Tax Rate⁽¹⁾</u>
New York	0.8% on life insurer's premiums; 1% on accident and health insurers; 1.3% for others. ⁽³⁾
Ohio	The tax on capital and surplus is being phased out with 2002 being the last year it is used. The tax rate of 1.4% on gross premiums will be effective starting in tax year 2003. (See RATES section for 2002 rates.)
Pennsylvania	2% of gross premiums.
Texas	1.75% of premium receipts for life, accident and health insurance; 3.5% for others.
West Virginia	4% for fire and casualty; 3% for others; annuities 1.0%.

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

⁽²⁾ Domestic insurers maintaining their home offices in Florida are exempt.

⁽³⁾ Insurance companies also pay New York corporate franchise tax.

INSURANCE TAX - FOREIGN

TAX BASE

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

RATE

The rate for foreign insurers is being reduced. In tax year 2002 it is 1.62%. From 2003 and thereafter, it is 1.4%. In tax year 2002 the minimum tax is \$200. In tax year 2003 and thereafter the minimum tax is \$250.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Other ⁽¹⁾	Total
1998	\$280.9	\$6.5	\$287.4
1999	271.6	7.2	278.8
2000	252.3	7.9	260.2
2001	220.6	11.7	232.3

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

DISPOSITION OF REVENUE

General Revenue Fund.
Fire Marshal's Fund.

SECTIONS OF OHIO REVISED CODE

Chapter 5729 and section 3737.71.

RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

REMITTER OF TAX

Insurance companies not organized under Ohio law.

PAYMENT DATES

October 15: Advance payment of 1/2 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 defined as 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 premium sales to be phased in from tax year 1999 to 2003, with a maximum credit of \$200,000 in year 2003. In 2002, the maximum credit allowed is \$160,000.

An additional 0.75% 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% of all premium payments, exclusive of payments received under Medicare and Medicaid.

HISTORY OF MAJOR CHANGES

- 1830 • 4% tax on profits from premiums (minimum 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 produce 2.5% of gross premiums.
- 1902 • Direct 2.5% tax on gross premiums.
- 1997 • Tax rate for foreign insurers is 1.62% for tax year 2002. In 2003 and thereafter, the rate will be 1.4%. A minimum tax of \$200 is for tax year 2002. In tax year 2003 and thereafter the minimum tax is \$250.
- Tax credit for insurer groups with less than \$50 million in Ohio premium sales to be phased in from tax year 1999 to 2003. After July 1, 1999, the threshold is increased to \$75 million.

COMPARISON WITH OTHER STATES

State	Tax Rate*
California	Foreign insurers subject to retaliatory provisions.
Florida	Foreign insurers, other than those maintaining a regional office in Florida, subject to retaliatory provisions.

INSURANCE TAX - FOREIGN

COMPARISON WITH OTHER STATES (con't.)

Illinois	Foreign insurers subject to retaliatory provisions.
Indiana	Foreign insurers subject to retaliatory provisions.
Kentucky	Foreign insurers subject to retaliatory provisions.
Massachusetts	Foreign insurers pay 2% plus a surtax of 14% of the tax imposed. The 14% 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.
Ohio	Foreign insurers are subject to retaliatory provisions. In tax year 2002 the rate is 1.62% of premiums if the retaliatory provisions do not apply. In 2003, the rate will be 1.4%.
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% of gross premiums.
West Virginia	Foreign insurers subject to retaliatory provisions.

* In general, the retaliatory tax rate imposed is either the domestic rate of the state taxing the foreign insurer or the rate of the state in which the foreign insurer is incorporated, whichever is greater.

KILOWATT HOUR TAX

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.

TAX BASE

The kilowatt hour tax has two bases with payment determined by the number of kilowatt hours distributed to the end user 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.

RATES

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

<u>Monthly Kilowatt Hours Distributed to the End User</u>	<u>Rate per Kilowatt Hour</u>
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 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% 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)

<u>Fiscal Year</u>	<u>State⁽²⁾</u>	School District	Local Gov't.	<u>Total</u>
		<u>Prop. Tax Rep. Fund</u>	<u>Prop. Tax Rep. Fund</u>	
2001 ⁽¹⁾	\$24.0	\$9.8	\$4.2	\$38.0

⁽¹⁾ Reflects only one month of revenue.

⁽²⁾ 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.

DISPOSITION OF REVENUE

General Revenue Fund receives 59.976%, School District Property Tax Replacement Fund receives 25.9%, Local Government Fund receives 2.646%, Local Government Property Tax Replacement Fund receives 11.1%, and Local Government Revenue Assistance Fund receives 0.378% of kilowatt hour tax revenue. For fiscal years 2002 and 2003, there will be no distributions to the Local Government Fund and Local Government Revenue Assistance Fund. The General Revenue Fund will receive 63% of revenue in fiscal years 2002 and 2003. 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.

SECTIONS OF THE REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Electric distribution companies.
End users that self-assess.

SPECIAL PROVISIONS / CREDITS

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

PAYMENT DATE

The 20th day of each month for the amount of electricity distributed to end users during the preceding month.

KILOWATT HOUR TAX

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 million kilowatt hours of annual consumption.
 - Provided that the “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, the taxpayer will remit the self-assessor tax to the municipality.
 - Clarified rules pertaining to self-assessors.

COMPARISON WITH OTHER STATES

California

0.02 cents per kilowatt hour of electricity consumed.

Florida

2.5% of gross receipts.

Illinois

End users pay on a declining cents-per-kilowatt hour basis on consumption or 5.1% of the purchase price for self-assessors.

KILOWATT HOUR TAX

COMPARISON WITH OTHER STATES (con't.)

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’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 is 2.4% 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% of the price plus 0.75 mills on the first 504 million kilowatt hours of annual consumption.

Pennsylvania

Electric companies pay 4.4% of gross receipts.

Texas

Electric utilities pay rates ranging from 0.581% to 1.997% of gross receipts, depending upon population of the town in which the utility operates. Electric utilities operating a nuclear facility pay a 5% surcharge on the gross receipts tax.

West Virginia

Electric power companies pay a tax based upon the generating capacity of their electric generating facilities. If electric company does not produce its electricity, the tax is 3% of demand charges.

MOTOR VEHICLE FUEL TAX

TAX BASE

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

RATE

Twenty-two cents per gallon.

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.

Distributors and retailers for fuel lost through shrinkage, evaporation, and leakage.

Local transit authorities for 21 of the 22 cents per gallon on fuel consumed in transit buses.

REVENUE (IN MILLIONS)

Fiscal <u>Year</u>	<u>Total</u>
1998	\$1,328.4
1999	1,370.7
2000	1,404.9
2001	1,307.3

DISPOSITION OF REVENUE

The following items receive the revenue first:

- 1) Monthly \$100,000 allocation to the grade crossing fund;
- 2) 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% of revenue is allocated to the waterways safety fund and 0.125% to wildlife boater-angler fund.

Of the remaining revenue, approximately 4.5% (the equivalent of one cent of the 22 cent tax rate) is allocated to the local transportation improvement program fund.

The balance is distributed, in general, as follows:

75.0%	to the State of Ohio;
10.7	to municipal corporations;
9.3	to counties;
5.0	to townships.

MOTOR VEHICLE FUEL TAX

SECTIONS OF OHIO REVISED CODE

Chapter 5735.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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

PAYMENT DATES

By the last day of each month for the preceding month's tax liability; filed with the Treasurer of State (until January 1, 2003).

SPECIAL PROVISIONS / CREDITS

The total tax rate is derived by adding the fixed 7 cents per gallon tax rate to a variable "cents per gallon" tax rate of 15 cents. The variable rate uses a formula based on (1) the consumer price index, and (2) a consumption factor, which is a ratio of the amount of motor fuel consumption for the second previous fiscal year to consumption in the previous year. The July 1993 calculation was the last time this formula was recalculated. Use of the formula for future rate calculations would have to be authorized by the General Assembly.

HISTORY OF MAJOR CHANGES

<u>Year</u>	<u>Change</u>	<u>Total Tax After Change</u>
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 cent 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

MOTOR VEHICLE FUEL TAX

COMPARISON WITH OTHER STATES (AS OF 1/02) (includes state sales tax where applicable)

	Tax Rate (cents per gallon)	
<u>State</u>	<u>Gasoline⁽¹⁾</u>	<u>Diesel Fuel⁽¹⁾</u>
California ⁽²⁾	23.75	23.75
Florida ⁽³⁾	19.90	32.40
Illinois ⁽⁴⁾	25.55	27.25
Indiana ⁽⁵⁾	20.00	21.00
Kentucky	16.40	13.40
Massachusetts	21.00	21.00
Michigan ⁽⁶⁾	25.00	21.00
New Jersey ⁽⁷⁾	14.50	17.50
New York ⁽⁸⁾	26.60	24.85
Ohio	22.00	22.00
Pennsylvania ⁽⁹⁾	26.60	31.80
Texas	20.00	20.00
West Virginia ⁽¹⁰⁾	25.35	25.65

- ⁽¹⁾ Data for the comparison of state motor vehicle fuel tax rates from the Federation of Tax Administrators, Commerce Clearing House, and each individual state. The sale of motor fuel is subject to the applicable sales and use taxes in the following states: California, Florida, Illinois, Indiana, Michigan, New York, and West Virginia. The rates shown for these states reflects the applicable state sales and use tax based on a price of \$1 per gallon of fuel.
- ⁽²⁾ The rate shown for California reflects the application of a sales and use tax of 5.75% based on a price of \$1 per gallon.
- ⁽³⁾ Gasoline fuel rate includes a 4.0 cents per gallon excise tax while diesel fuel reflects a 16.5 cents per gallon excise tax. Gasoline and diesel also subject to 9.9 cents per gallon additional tax. The rate shown for Florida reflects the application of a sales and use tax of 6% based on a price of \$1 per gallon. Tax rates shown do not include the application of variable local tax levies.
- ⁽⁴⁾ The rate shown for Illinois reflects the application of a sales and use tax of 6.25% based on a price of \$1 per gallon. The following local motor fuel tax rates have not been included in the gasoline rate for this comparison: Chicago, 5 cents; Cook County, 6 cents; Kane County, 2 cents; McHenry County, 2 cents.
- ⁽⁵⁾ The rate shown for Indiana reflects the application of a sales and use tax of 5% based on a price of \$1 per gallon.
- ⁽⁶⁾ The rate shown for Michigan reflects the application of a sales and use tax of 6% based on a price of \$1 per gallon.
- ⁽⁷⁾ Rate includes a 4.0 cents per gallon Petroleum Products Excise Tax levied on sales of gasoline and diesel fuel.
- ⁽⁸⁾ Rate for gasoline and diesel fuel includes an 8.0 cents per gallon excise tax and the Petroleum Business Excise Tax (rates vary depending on fuel type; rate is indexed for inflation each year). The rate shown for New York also reflects the application of a sales and use tax of 4% based on a price of \$1 per gallon.
- ⁽⁹⁾ The gasoline and diesel fuel tax rates include a permanent 12.0 cents per gallon excise tax. An oil company franchise tax is included.
- ⁽¹⁰⁾ The gasoline and diesel fuel tax rates include a 20.5 cents per gallon excise tax. The rate shown for West Virginia also reflects the application of a sales and use tax of 4.85 cents per gallon.

MOTOR VEHICLE FUEL USE TAX

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

Twenty-two cents per gallon plus a three cents per gallon surtax.

MAJOR EXEMPTIONS

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

REVENUE (IN MILLIONS)

Fiscal Year	Total
1998	\$64.9
1999	64.3
2000	66.9
2001	75.3

DISPOSITION OF REVENUE

Highway bond retirement funds for as long as needed and then to the highway operating fund.

SECTIONS OF OHIO REVISED CODE

Chapters 5728 and 5735.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Fuel use tax permit holders.

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 twelve months.

MOTOR VEHICLE FUEL USE TAX

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).

COMPARISON WITH OTHER STATES (AS OF 12/01)

California	Equals motor fuel tax rate.
Florida	Equals motor fuel tax rate.
Illinois	Equals motor fuel tax rate.
Indiana	Equals motor fuel tax rate plus an 11 cents per gallon surtax.
Kentucky	Equals motor fuel tax rate plus a 2.2 cents per gallon surtax for gasoline and 5.2 cents per gallon surtax for diesel.
Massachusetts	Equals motor fuel tax rate.
Michigan	Equals 9 cents per gallon motor fuel tax rate plus a 12 cents per gallon surtax.
New Jersey	Equals motor fuel tax rate.
New York	Equals motor fuel tax rate.
Ohio	Equals motor fuel tax rate plus a 3 cents per gallon surtax.
Pennsylvania	Equals motor fuel tax rate.
Texas	Equals motor fuel tax rate.
West Virginia	Equals motor fuel tax rate.

MOTOR VEHICLE LICENSE TAX

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

Passenger cars	\$20
Motorcycles	14
House trailers, travel trailers	10
Transit buses	12
Non-commercial vehicles and motor homes	35
Non-commercial truck (1 ton)	70
Commercial trailer, semi-trailers	25

Commercial trucks, and tractors:

Rates vary depending on the gross weight of the vehicle. For vehicles with a gross weight under 2,000 lbs., the tax is \$45. For vehicles with a gross weight between 78,000 lbs. and 80,000 lbs. the tax is \$1,340.

Motor Buses:

Rates vary depending on the gross weight of the vehicle. For vehicles with a gross weight under 2,000 lbs., the tax is \$10. For vehicles with a gross weight between 78,000 and 80,000 lbs., the tax is \$1,630.

Farm Trucks:

Rates vary depending on the unladen vehicle weight. For vehicles with an unladen weight under 3,000 lbs., the tax is \$5 plus \$0.50 per 100 lbs. For vehicles over 10,000 lbs. unladen weight the tax is \$125 plus \$2.25 per 100 lbs.

MOTOR VEHICLE LICENSE TAX

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.

REVENUE (IN MILLIONS)

Fiscal		
<u>Year</u>		<u>Total</u>
1998		\$620.8
1999		635.5
2000		661.4
2001		656.9

DISPOSITION OF REVENUE

The highway bond retirement fund and the highway operating fund are allocated 42.6% of the revenue from commercial vehicles having gross vehicle weights of 26,000 pounds or more. After any bond retirement obligations and administrative expenses are met, the remaining revenues are distributed as follows:

34% to municipal corporation or county of registration;

47% to county in which vehicle owner resides;

9% to counties in the ratio of the number of miles of county roads to the state total;

5% to townships in the ratio of the number of miles of township roads to the state total;

5% divided equally among counties.

SECTIONS OF OHIO REVISED CODE

Chapters 4501, 4503, and 4504.

MOTOR VEHICLE LICENSE TAX

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.

REMITTER OF TAX

Operators of motor vehicles on the public roads or highways.

PAYMENT DATES

Commercial vehicles: March 1 - May 31.

Passenger cars and non-commercial vehicles are required to be registered during month of owner's birthdate.

SPECIAL PROVISIONS / CREDITS

Counties and municipalities within counties which have not adopted the tax may levy a \$5.00 per vehicle license tax. During 2001, 46 counties and 201 municipalities imposed this license tax.

Counties may levy an additional \$5.00 or \$10.00 license tax. A municipality may levy an additional \$5.00 license tax plus a \$5.00 or \$10.00 license tax if the county in which it is located does not. A township may levy an additional \$5.00 license tax. The maximum additional license tax in a county cannot exceed \$15.00. During 2001, 38 counties, 371 municipalities, and 308 townships imposed this tax.

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 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.

Special license plate numbers or letter combinations are available at an additional cost.

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 (which contains the Bureau of Motor Vehicles) was created; current method of revenue distribution enacted.
- 1957 • Separate levy on transit buses enacted.
- 1967 • Counties and municipalities permitted to levy a \$5.00 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 start mail registration.

MOTOR VEHICLE LICENSE TAX

HISTORY OF MAJOR CHANGES (con't.)

1990 • Legislation enacted which will convert the fee structure of commercial vehicle registrations from unladen weight to gross vehicle weight as of June, 1991.

COMPARISON WITH OTHER STATES (AS OF 12/01)

<u>State</u>	<u>Passenger Cars</u>	<u>Commercial⁽¹⁾ Vehicles</u>
California	\$28 Plus 2.0 % of market value. Applies to all California registrations.	\$1,173
Florida	\$27.60-\$45.60 depending on weight	\$695
Illinois	\$78	\$1,970
Indiana	\$16.75 plus an excise tax of \$12 - \$1,063, based on the selling price when new and age of vehicle.	\$800
Kentucky	\$11.50	\$882
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. 1984 and newer models, the tax ranges from \$30 - \$148 (dependent on price) or 0.5% of list price.	\$1,268

MOTOR VEHICLE LICENSE TAX

COMPARISON WITH OTHER STATES (AS OF 12/01)

<u>State</u>	<u>Passenger Cars</u>	<u>Commercial⁽¹⁾ Vehicles</u>
New Jersey	\$25-\$73.50 based on weight and model year.	\$796
New York	Variable based on weight: Under 1,650 lbs. = \$20.50 1,650 lbs. and above = variable rate depending on weight (max. \$112 tax)	\$931
Ohio	\$20	\$855
Pennsylvania	\$36	\$999
Texas	\$40.50 - \$58.50 based on model year for vehicles 100 lbs. weighing up to 6,000 lbs. \$25 plus 60 cents per 100 lbs. for vehicles weighing over 6,000 lbs.	\$594
West Virginia	\$30	\$816

⁽¹⁾ Comparison 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 reduce the fee.

NATURAL GAS CONSUMPTION TAX

The Natural Gas Consumption Tax was enacted by Amended Substitute Senate Bill 287 (123rd General Assembly) as part of tax reform on the natural gas industry, to replace the tax losses from reduction in natural gas utility personal property tax assessment rates, effective July 1, 2001.

TAX BASE

Amount of natural gas distributed to 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*
For the first 100 Mcf per month	\$.1593
For the next 101 to 2000 Mcf per month	.0877
For 2001 and above Mcf per month	.0411
Flex Customer	.0200

* "Mcf" means one thousand cubic feet.

MAJOR EXEMPTIONS

Distribution of natural gas to the federal government.
Natural gas produced by an end user in Ohio that is consumed by that 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.

DISPOSITION OF REVENUE

School District Property Tax Replacement Fund receives 70%.
Local Government Property Tax Replacement Fund receives 30%.

SECTION OF OHIO REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Natural gas distribution companies.

NATURAL GAS CONSUMPTION TAX

PAYMENT DATES

The Natural Gas Consumption Tax (the Mcf tax) payments are made on 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 \$.02 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.

HISTORY OF MAJOR CHANGES

- 2000 • Enacted.
- Natural gas consumption tax receipts will remain as revenue in the tax base of the public utility excise tax.

COMPARISON WITH OTHER STATES (AS OF 12/01)

Illinois

Gas companies pay 2.4 cents per therm sold to customers or 5% 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.

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.

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

PASS-THROUGH ENTITY 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 corporate franchise tax which pursuant to Ohio tax law is otherwise due and payable by pass-through entity investors.

TAX BASE

Tax base is 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, below). The "adjusted qualifying amount" is the net sum of an 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 trust, 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.
- Non-resident 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."
- Investors which are "investment pass-through entities."

PASS-THROUGH ENTITY TAX

MAJOR EXEMPTIONS (con't.)

- 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 exempted from the definition of "qualifying investor.")

REVENUE (IN MILLIONS)

5.0% withholding tax:

Fiscal Year	General Revenue Fund ⁽¹⁾	Local Gov't. Funds	Total Tax
1999	\$32.0	\$3.8	\$35.8
2000	34.7	4.1	38.8
2001	35.5	4.2	39.7

8.5% entity tax:

Fiscal Year	General Revenue Fund ⁽¹⁾	Local Gov't. Funds	Total Tax
1999	\$3.7	\$0.2	\$3.9
2000	6.3	0.3	6.6
2001	4.0	0.2	4.2

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

Fiscal Year	General Revenue Fund ⁽¹⁾	Local Gov't. Funds	Total Tax
1999	\$32.5	\$3.8	\$36.3
2000	47.5	5.6	53.1
2001	55.8	6.6	62.4

⁽¹⁾ This revenue is counted in the personal income tax or corporate franchise tax.

⁽²⁾ Although the statutory rate is 7.5%, the rate in each tax year was reduced under legislation requiring the return of excess state revenue to taxpayers.

DISPOSITION OF REVENUE

5.0% withholding tax revenue:

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

8.5% entity tax revenue:

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

PASS-THROUGH ENTITY TAX

SECTIONS OF THE REVISED CODE

Chapters 5733 and 5747.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Qualifying pass-through entities.

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 pass-through entity investors against their Ohio individual income tax, based upon the investor's proportionate share of the 5 percent withholding tax and 8.5 percent entity tax, if any.

A non-refundable 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.

PASS-THROUGH ENTITY TAX

SPECIAL PROVISIONS / CREDITS (con't.)

Qualifying trusts are also subject to 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 as income on the Ohio individual income tax return or corporation franchise tax report.

HISTORY OF MAJOR CHANGES

- 1998
 - Tax became effective at a rate of 5.0% on individual qualifying investors and 8.5% on non-individual qualifying investors.
 - Certain pass-through entities that are part of multi-tier structure are exempt from tax.
 - Investment pass-through entities are exempt from tax on investment type of income.
- 2001
 - If net management fees exceed five percent of an investment pass-through entity's net income, such fees are subject to tax.

COMPARISON WITH OTHER STATES

The **Ohio** pass-through entity tax is essentially a withholding tax on the distributive share of income of investors (generally corporations and non-resident 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 non-resident 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

TAX BASE

Most utilities are taxed on gross receipts from intrastate business. The following utilities are subject to this tax: local telephone companies, natural gas companies, waterworks companies, pipeline companies, heating companies, and water transportation companies.

RATES

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

MAJOR EXEMPTIONS

Municipally-owned public utilities.

Non-profit waterworks utilities.

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.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Local Gov't. Funds	Other ⁽¹⁾	Total
1998	\$673.0	\$34.8	\$0.2	\$708.0
1999	637.6	32.9	0.1	670.6
2000	642.1	33.1	0.1	675.3
2001	640.5	33.7	0.1	674.3

⁽¹⁾ Includes the Attorney General Claims Fund.

DISPOSITION OF REVENUE

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

For fiscal years 2002 and 2003, the two local government funds each receive the same amount of public utility excise tax revenue as they received in fiscal year 2001. The remain-

PUBLIC UTILITY EXCISE TAX

DISPOSITION OF REVENUE (con't)

der is deposited in the General Revenue Fund. 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.

SECTIONS OF OHIO REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Public utilities that are subject to the tax.

PAYMENT DATES

Advance payments 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, must pay annually in February.

SPECIAL PROVISIONS / CREDITS

Local telephone companies receive a lifeline credit for establishing assistance programs for low-income elderly, disabled and the sight, hearing or speech impaired.

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 credit, beginning with the November, 2001 payment, for taxes paid in October, 1999; March, 2000; and June, 2000.

PUBLIC UTILITY EXCISE TAX

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% to 4% 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% to 5% for most utilities).
- 1981 • Rates temporarily increased for 1982 (from 4% to 4.5% for most utilities).
 - Rates permanently increased for 1983 and thereafter (from 4% to 4.25% for most utilities).
 - Charter-city credit repealed.
 - 5.55% surtax imposed on 1982 liability.
- 1982 • Temporary rate increase for 1983 (from 4.25% to 4.5% for most utilities).
 - 5.55% surtax imposed on 1983 liability.
- 1983 • Temporary rate increase for 1983 (from 4.5% to 5.0% for most utilities).
 - Permanent rate increase for 1984 and thereafter (from 4.25% to 4.75% for most utilities).
 - Advance payment system altered.
- 1985 • Credit established for telephone companies for non-recurring installation costs related to a 9-1-1 system.

PUBLIC UTILITY EXCISE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 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 a one dollar 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 • Changes 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 is 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.
 - Increase the coal credit from \$1 to \$3 per ton effective January 1, 2000 until it terminates at the end of 2004.
- 2000 • Expands the definition of electric utility compliance facility that is able to take the increased \$3 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.

PUBLIC UTILITY EXCISE TAX

COMPARISON WITH OTHER STATES

California

Rates of 0.5% - 0.75% on intrastate telephone service and 0.02 cents per kilowatt hour of electricity consumed.

Florida

Gas, electric, telecommunication, and express companies pay a tax of 2.5% on gross receipts.

Illinois

Electric companies pay on a declining cents-per-kilowatt-hour basis based on end use or 5% of gross receipts. Gas companies pay 2.4 cents per therm sold to customers or 5% of gross receipts, whichever is less. Telecommunications companies pay 7% tax on gross charges. Utilities also pay a tax of 0.08% of their gross revenues.

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.

New Jersey

Sewage and water corporations are subject to a tax on 2% or 5% 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 0.376% on gross earnings from state sources plus a tax on dividends or net value. All utilities selling utility services to New York consumers pay an "additional" tax of 2.4% on gross income earned in the state on regulated revenue sources and 1.9% on unregulated revenue sources.

Ohio

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

Pennsylvania

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

PUBLIC UTILITY EXCISE TAX

COMPARISON WITH OTHER STATES (con't.)

Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581% to 1.997% 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% surcharge on the gross receipts tax.

West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4% 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. If the electric company does not produce its own electricity, the tax is 3% of demand charges. Natural gas companies pay a tax of 4.29% of gross receipts. Water companies pay a tax of 4.4%.

REPLACEMENT TIRE FEE

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.

REVENUE (IN MILLIONS)

Fiscal Year	Scrap Tire Mgt. Fund	Adm. Fund	Total
1998	\$3.3	\$0.1	\$3.4
1999	3.2	0.1	3.3
2000	3.2	0.1	3.3
2001	3.3	0.1	3.4

DISPOSITION OF REVENUE

Ninety-six percent to the Scrap Tire Management Fund.
Four percent to Tire Fee Administration Fund.

SECTIONS OF OHIO REVISED CODE

Sections 3734.90 to 3734.99.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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

PAYMENT DATES

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

HISTORY OF MAJOR CHANGES

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

REPLACEMENT TIRE FEE

COMPARISONS WITH OTHER STATES

(AS OF 12/01)

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.

⁽¹⁾ Actual rate is variable: \$1.00 for used tires, \$3.50 for tires with a minimum of 17.5 inch rim clear, and \$2.0 for new motorcycle tires.

SALES AND USE TAX - STATE

TAX BASE

Sales and rental of tangible personal property. Selected services.

RATE

Five percent (with specific brackets for sales other than multiples of one dollar).

MAJOR EXEMPTIONS

Purchases for resale.

Food for human consumption off the premises where sold.

Newspapers and magazine subscriptions sent by 2nd class mail.

Motor fuel.

Sales of artificial and natural gas, electricity, 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
1998	\$5,265.5	\$265.7	\$3.9	\$5,535.1
1999	5,545.3	279.7	2.4	5,827.4
2000	5,913.7	298.3	2.0	6,214.0
2001	5,935.6	299.4	2.2	6,237.2

⁽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% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the local government funds each receive the same amount of sales and use tax revenue as they received in fiscal year 2001. The remainder is deposited in the General Revenue Fund. 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.

SECTIONS OF OHIO REVISED CODE

Chapters 5739 and 5741.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

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

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% discount for timely payment.

Payment is required to be made by electronic fund transfer by taxpayers when liabilities equal or exceed \$60,000 a year.

SALES AND USE TAX - STATE

SPECIAL PROVISIONS / CREDITS

1. Counties and transit authorities may levy additional sales and use tax. (**See SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY.**)
2. Qualified municipal corporations and townships (**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%), village of Put-in-Bay (1.5%), and the township of Put-in-Bay (1.5%). The Tax Commissioner administers this tax.

HISTORY OF MAJOR CHANGES

- 1934 • Enacted a sales tax at a 3% rate effective January 1, 1935.
- 1935 • Enacted a use tax at a 3% rate effective January 1, 1936.
- 1936 • Food for human consumption off the premises exempted.
- 1962 • Use of sales tax stamps discontinued.
- 1967 • Rate increased to 4%. Cigarettes and beer made taxable.
- 1971 • Cigarettes exempted.
- 1981 • Rate increased to 5%; 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

HISTORY OF MAJOR CHANGES (con't.)

- 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 services made taxable.
 - Physical fitness facilities and recreation and sports club memberships made taxable.
 - Vendor discount decreased from 1.5% to 0.75% of tax collections.
 - Tax exemption for property used in making retail sales defined more narrowly.
 - Property and third party labor used to fulfill a warranty or service contract made taxable.
 - Tax exemption for food service operators defined more narrowly.
 - Tax exemption for qualified property used in research and development established.
 - Tax exemption provided for non-profit 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 purchases 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

HISTORY OF MAJOR CHANGES (con't.)

- 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% discount up front when paying sales and use taxes to clerks of court.
 - Poundage fee given to the clerk of courts for receiving and distributing sales tax from motor vehicle sales increased to 1.01%.
 - 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 are 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 is 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 is October 5, 1999.

SALES AND USE TAX - STATE

HISTORY OF MAJOR CHANGES (con't.)

- 2000 • Exemption added for labeling and labeling equipment for packaging and packaging equipment.
 - Changed the definition of exempted casual sales to include items that had been subjected to the taxing jurisdiction of another state.
 - Treatment of charitable non-profit 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 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.
 - All vendor's license renewal fees eliminated.
 - 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.

SALES AND USE TAX - STATE

COMPARISON WITH OTHER STATES (AS OF 10/01)

<u>State</u>	<u>State</u>	<u>Local</u>	Maximum Rate In
	<u>Tax Rate</u>	<u>Tax Rate*</u>	Effect Including <u>Local Rate</u>
California	5.75%	2.50%	8.25%
Florida	6.00	1.50	7.50
Illinois	6.25	2.75	9.00
Indiana	5.00	0.00	5.00
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	4.00	4.50	8.50
Ohio	5.00	2.00	7.00
Pennsylvania	6.00	1.00	7.00
Texas	6.25	2.00	8.25
West Virginia	6.00	0.00	6.00

* Highest local rate currently in effect in the state.

SEVERANCE TAX

TAX BASE

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

RATES

Resource	Tax Rate
Coal	9 cents per ton*
Salt	4 cents per ton
Dolomite, Gravel, Sand and Limestone	2 cents per ton
Oil	10 cents per barrel
Natural Gas	2.5 cents per 1,000 cubic feet
Clay, Sandstone, Shale Conglomerate, Gypsum and Quartzite	1 cent per ton

* 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)

Fiscal Year	Total
1998	\$9.1
1999	8.8
2000	8.3
2001	8.0

SEVERANCE TAX

DISPOSITION OF REVENUE

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

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

SECTIONS OF OHIO REVISED CODE

Chapter 5749.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Holder of severance permit.

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 revenue for the fund are not sufficient to reclaim lands.

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.

SEVERANCE TAX

HISTORY OF MAJOR CHANGES (con't)

- 1999 • Changed the distribution of the oil and natural gas taxes to 90% to the Oil and Gas Well Fund and 10% to the General Mapping Fund. Changed one of the temporary one cent tax levies on coal to permanent.

- 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.

COMPARISON WITH OTHER STATES (AS OF 12/01)

State/Resource	Rate
California	
Oil and Gas	A uniform rate is determined annually by the Department of Conservation based on the previous year's production. Current rate is 3.48447 cents per barrel of oil or 10,000 cubic feet of natural gas.
Florida	
Oil	5% of gross value for small well oil and tertiary oil; 8% of gross value for all other oil; escaped oil, 12.5% additional.
Gas	23.5 cents per Mcf of gas produced and sold or used by a producer.
Sulfur	\$2.73 per long ton.
Indiana	
Oil and Gas	1% of value.
Illinois	
Timber	4% of purchase price.
Kentucky	
Oil	4.5% of market value.
Coal and Other	
Natural Resources	4.5% of gross value.

SEVERANCE TAX

COMPARISON WITH OTHER STATES (con't.) (AS OF 12/01)

State/Resource	Rate
Michigan	
Oil	6.6% of market value; 4% gross cash value for stripper well crude oil.
Gas	5% of market value, plus an additional fee not to exceed 1% of total market value.
Ohio	
Coal	9 cents per ton.
Salt	4 cents per ton.
Limestone, Dolomite, Sand, & Gravel	2 cents per ton.
Clay, Sandstone, Shale, Conglomerate, Gypsum, & Quartzite	1 cent per ton.
Oil	10 cents per barrel.
Natural Gas	2.5 cents per 1,000 cubic feet.
Texas	
Gas	7.5% of market value.
Oil	4.6% of market value or 4.6 cents per 42 gallon barrel, whichever is more.
Sulfur	\$1.03 per long ton.
West Virginia (gross receipts tax)	
Coal	5% of gross value.
Limestone	5% of gross value.
Sandstone	5% of gross value.
Oil	5% of gross value.
Natural Gas	5% of gross value.
Other Minerals	5% of market value.
Timbers	3.22%
Coal Refuse	2.5%
Massachusetts, New Jersey, New York, and Pennsylvania do not have severance taxes.	

LOCAL TAXES

ADMISSIONS TAX

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% or less. In 1999, 57 municipalities 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>
1997	\$17.9
1998	17.2
1999	18.3
2000	23.0

DISPOSITION OF REVENUE

All revenue collections are kept by the municipality.

SECTIONS OF THE REVISED CODE

Section 715.013.

RESPONSIBILITY FOR ADMINISTRATION

As determined by legislative authority of a municipality.

REMITTER OF TAX

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

FILING PROCEDURES

For further information concerning admissions taxes, contact the city or village in which the activity is located.

ADMISSIONS TAX

COMPARISON WITH OTHER STATES

Most states tax admissions under their sales tax.

California	No special admissions tax, and admissions are exempt from sales tax. However, 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	Subject to sales tax only.
Illinois	Admissions tax varies among municipalities, highest rate currently in effect is 8%.
Indiana	Certain counties may authorize the tax. Tax rates and base varies. Municipalities may levy a 5% tax on certain admissions.
Kentucky	Admissions subject to sales tax and counties may levy a 10% surcharge on certain multi-purpose arena admissions.
Massachusetts	No special admissions tax, and admissions are exempt from sales tax. Special tax on baseball tickets in Boston. Rate is 5% of price, 15% on luxury box rental.
Michigan	No special admissions tax, and admissions are exempt from sales tax.
New Jersey	Admissions are subject to the sales tax and to various local admissions taxes.
New York	Admissions subject to sales tax only.
Ohio	Admissions taxes vary among municipalities. However, most rates are 3% or less.

ADMISSIONS TAX

COMPARISON WITH OTHER STATES (con't.)

Pennsylvania Admissions taxes vary among municipalities.
Maximum rate is 10% of admissions price.

Texas Admissions are subject to sales tax and
municipalities may levy an admissions tax of
up to 2%.

West Virginia Admissions are subject to sales tax only.

ALCOHOLIC BEVERAGE TAXES - COUNTY

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*	24 cents per gallon.
Liquor	Up to \$3.00 per gallon.

Cuyahoga County is currently levying each tax at the maximum rate.

* *Alcoholic content over 1/2%.*

MAJOR EXEMPTIONS

Sacramental wine.
Sales to the federal government.

REVENUE (IN MILLIONS)

Fiscal Year	Beer	Wine and Mixed Beverages	Liquor	Admin. Fund	Total
1998	\$5.1	\$0.9	\$4.6	\$0.1	\$10.7
1999	4.8	0.9	4.4	0.1	10.2
2000	5.3	0.9	4.3	0.1	10.6
2001	4.8	0.9	4.6	0.1	10.4

DISPOSITION OF REVENUE

Ninety-eight percent to the county or development corporation to operate or service the debt of a sports facility.

Two percent to the Department of Taxation for the administration of the tax.

SECTIONS OF THE 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).

REMITTER OF TAX

(See STATE ALCOHOLIC BEVERAGES TAXES.)

ALCOHOLIC BEVERAGE TAXES - COUNTY

PAYMENT DATES

(See STATE ALCOHOLIC BEVERAGES TAXES.)

SPECIAL PROVISIONS / CREDITS

Two and one-half percent discount for timely payment of beer, wine and mixed beverages taxes.

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 beverages 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 ten years.

COMPARISON WITH OTHER STATES (AS OF 12/01)

Illinois

Cook County:

Beer	6 cents per gal.
Wine less than 14%	16 cents per gal.
Wine 14% or more	30 cents per gal.
Spirits	\$2.00 per gal.

Chicago (in addition to Cook County tax):

Beer	16 cents per gal.
Liquor less than 14%	20 cents per gal.
Liquor between 14% and 20%	50 cents per gal.
Liquor over 20%	\$1.50 per gal.

New York

New York City:

Beer	12 cents per gal.
Liquor	26.4 cents per liter.

ALCOHOLIC BEVERAGE TAXES - COUNTY

COMPARISON WITH OTHER STATES (con't.) (AS OF 12/01)

Ohio

Cuyahoga County:

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

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

CIGARETTE TAX - COUNTY

TAX BASE

Cigarettes.

RATE

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

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

REVENUE (IN MILLIONS)

Fiscal Year	Revenue	Adm. Fund	Total
1998	\$5.4	\$0.1	\$5.5
1999	5.3	0.1	5.4
2000	4.9	0.1	5.0
2001	4.9	0.1	5.0

DISPOSITION OF REVENUE

Ninety-eight percent to the county or development corporation to operate or service the debt of a sports facility.

Two percent to the Department of Taxation for the administration of the tax.

SECTIONS OF OHIO REVISED CODE

Sections 307.696, 307.697, and 5743.024.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

(See STATE CIGARETTE TAX.)

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 may be levied by a county convention facility authority.
 - Voters of Cuyahoga County extended the tax for ten years. Tax is due to expire July 31, 2015.

CIGARETTE TAX - COUNTY

COMPARISON WITH OTHER STATES (AS OF 12/01)

Illinois	
Chicago ⁽¹⁾	34 cents per package
New Jersey	
Atlantic City	3 cents per package
New York	
New York City	8 cents per package
Ohio	
Cuyahoga County	4.5 cents per package

⁽¹⁾ Tax includes Cook County levy of 18 cents.

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

INDIVIDUAL INCOME TAX - SCHOOL DISTRICT

TAX BASE

A resident tax on the amount reported as Ohio adjusted gross income less \$1,150 per exemption for 2001. (The exemption amount is indexed for inflation.)

RATES

Multiples of 0.25%. The rate must be approved by a vote of the school district residents before implementation. Current rates range from 0.5% to 2.0% in 121 districts that have a school district income tax in effect in 2001.

REVENUE (IN MILLIONS)

Fiscal Year	Revenue ⁽¹⁾	Adm. Fund ⁽²⁾	Total
1998	\$115.7	\$1.8	\$117.5
1999	135.4	2.1	137.5
2000	141.6	2.3	143.9
2001	152.7	2.4	155.1

⁽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% retained for administrative purposes.

SECTIONS OF OHIO REVISED CODE

Chapters 5747 and 5748.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Every individual and every estate residing in a school district that levies the tax.

PAYMENT DATES

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

INDIVIDUAL INCOME TAX - SCHOOL DISTRICT

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.

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 were 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 continuing.
 - 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 go to \$850 and \$1,050, respectively, in 1997.
- 1996 • Personal exemption for taxpayer and spouse raised to \$950 in 1998 and \$1,050 in 1999.
- 1997 • Personal exemption indexed for inflation beginning in 2000.

INDIVIDUAL INCOME TAX - SCHOOL DISTRICT

COMPARISON WITH OTHER STATES

Kentucky

Local school boards may levy an occupational license tax on compensation of individuals or on net profits of business. The rate is up to 0.5%; in counties with over 300,000 population, it can be 0.75%. Local school boards may also levy an excise tax not to exceed 20% 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 a quarter of one percent on Ohio adjusted gross income of residents.

Pennsylvania

Pittsburgh

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

Philadelphia

The Philadelphia School District levies an "investment income tax" of 4.5385% for fiscal year 2001. The tax increases to 4.5635% in fiscal year 2002. It is a resident-only tax on unearned income such as profits from sale of real property and tangible or intangible personal property, including income from trusts or estates.

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

LODGING TAX

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 percent. However, due to the enactment of special lodging taxes in some counties, the maximum combined tax rate sometimes exceeds 6 percent. These counties and their maximum combined tax rates as of December 31, 2000 are: Cuyahoga (7.5%), Fairfield (7.5%), Franklin (10%), Guernsey (9%), Lucas (8%), Muskingum (8%), Richland (9.5%) and Summit (7.5%).

Counties:

Under a 1980 law, counties may enact a tax of up to 3% 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, 2000, 57 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 general fund). Four counties currently have a special lodging tax: Cuyahoga, Fairfield, Lucas, and Summit.

Municipalities and Townships:

Under a 1967 law, municipalities and townships are permitted to enact a lodging tax of up to 3%. Under a law enacted in 1980, municipalities and townships may also levy up to an additional 3% lodging tax. Therefore, municipal and township lodging taxes have a maximum 6% rate. As of December 31, 2000, 131 municipalities and 96 townships levied a lodging tax.

LODGING TAX

RATES (con't.)

County Convention Facility Authorities (CFA):

CFA's were permitted to enact an additional lodging tax of up to 4% only during a designated six-month period of calendar year 1988 for financing a new convention or sports center. An additional 0.9% 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%. The Franklin County CFA tax enacted a 4.9% tax in the City of Columbus and a 4.0% tax in areas of Franklin County outside of Columbus. In addition, the Guernsey County CFA enacted a 3% tax and the Muskingum County CFA enacted a 4% tax.

REVENUE (IN MILLIONS)

Calendar	
Year	Total*
1997	\$79.5
1998	86.7
1999	92.5
2000	94.8

* 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%) of revenue generated within the municipality and township. The remainder of the revenue is to be deposited in a separate fund to be used for county convention and visitors' bureau expenses.

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

LODGING TAX

DISPOSITION OF REVENUE (con't.)

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

SECTIONS OF THE OHIO REVISED CODE

Sections 307.695, 351.021, 505.56, 505.57, 5739.02(C), and 5739.024.

RESPONSIBILITY FOR ADMINISTRATION

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

REMITTER OF TAX

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

PAYMENT DATES

Monthly or quarterly.

SPECIAL PROVISIONS / CREDITS

Counties are authorized to enact a lodging tax of up to 3%, 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.

HISTORY OF MAJOR CHANGES

- 1967 • Municipalities and townships were permitted to levy a lodging tax of up to 3%.
- 1980 • Counties permitted to levy a lodging tax of up to 3%, 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% if the county tax is not in effect.

LODGING TAX

HISTORY OF MAJOR CHANGES (con't.)

- 1985 • Between July 15, 1985 and October 15, 1985 counties were permitted to levy up to an additional 3% lodging tax for convention center construction (Lucas County enacted such a tax).
- 1988 • Between June 29, 1988 and December 31, 1988, a convention facilities authority was permitted to levy up to an additional 4% lodging tax for financing a new convention or sports center (Franklin County CFA enacted a 4% tax, and the Guernsey County CFA enacted a 3% tax).
 - Additionally, a convention facilities authority was permitted to enact an additional tax of up to 0.9% for the same purpose as above, but this tax plus a municipal or township tax under the original 1967 law could not exceed 3%. 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 were permitted to levy an additional 1.5% lodging tax for financing a port authority educational or cultural facility (Cuyahoga County enacted such a tax).
- 1993 • Between June 30, 1993 and September 30, 1993, counties were authorized to enact an additional 1.5% tax for the acquisition, construction, and equipping of a municipal educational and cultural facility (Summit County and Fairfield County enacted such a tax).
- 1994 • A revision of the 1980 law authorized counties to enact a lodging tax of up to 3% in those areas of the county where a municipal or township tax had not been levied under the 1980 law.
- 1997 • A board of county commissioners was permitted to impose an additional tax up to 2%, with the revenue designated for the county convention and visitors bureau.

LODGING TAX

HISTORY OF MAJOR CHANGES (CON'T.)

- 1999 • Between March 18, 1999 and May 2, 1999 a board of county commissioners was permitted to impose an additional tax of up to 4% with all revenue going to the convention facilities authority for a new convention facility. (Richland County imposed this tax but repealed it in 2001.)
- 2001 • By resolution enacted between January 4, 2001 and July 3, 2001, a board of county commissioners levying the municipal educational 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.

COMPARISON WITH OTHER STATES

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, 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 rate is 6 percent.

Illinois

In general, municipalities and counties can impose a tax of up to 5% of gross rental receipts. The City of Chicago, however, can impose a 7.5% tax under these separate levies: 2.5% under the Metropolitan Pier and Exposition Authority Hotel Tax, 3% under the Occupancy Tax, and 2% under the Sports Facilities Tax.

LODGING TAX

COMPARISON WITH OTHER STATES (con't.)

Indiana

Counties are able to impose a tax on lodging with a maximum rate of 5%. Thirty-one counties levy this tax.

Kentucky

Municipalities and counties with a Tourist and Convention Commission may enact a tax of up to 4%. Counties that have established multi-county Tourist and Convention Commission may impose an additional tax of 1%. An urban county government's transient room tax cannot exceed 7%. All other localities can, generally, impose the tax at 1% or 2%.

Massachusetts

The state imposes a tax of 5.7%, while localities have the option of imposing an additional tax of up to 4%.

Michigan

Counties may impose a tax up to 5%; Convention and Tourism bureaus can enact a tax of up to 2% or 4%; special provisions apply regarding population. With voter approval, municipalities may enact a tax up to 1%.

A Convention Facility Development Tax with a rate of 1.5% to 6% is imposed on accommodations.

New Jersey

Municipalities where an international airport terminal is located may enact a tax up to 6%. Municipalities may also establish Tourism Development tax districts and enact a tax not to exceed 2%; limitations apply.

New York

Three specific locations have rates of 7%: Lockport, Niagara County and Niagara Falls City. New York City's rate is 5% plus an additional tax of \$0.50 to \$2.00 based on daily rental rate.

LODGING TAX

COMPARISON WITH OTHER STATES (con't.)

Ohio

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

County - in general not to exceed 3%. 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% and an additional tax not to exceed 0.9%. (The authority could only levy the tax between June 29, 1988 and December 31, 1988.)

Pennsylvania

Counties that meet certain requirements authorized to impose a tax with a rate ranging from 2% to 7%; limitations apply. The City of Philadelphia currently has a 5% room rentals tax, a 1% local hotel occupancy tax, and a 1% tourism and marketing tax on hotel rooms.

Texas

State rate is 6%. The maximum county rate is 7%.

A municipality may impose a tax up to 7%; this maximum is raised to 9% 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% to establish or renovate a sports or community venue project.

West Virginia

Cities and counties are able to impose the tax up to 3% of rent charged.

MANUFACTURED HOME TAX

TAX BASE

If situated in Ohio prior to January 1, 2000, the assessed value of a manufactured or mobile home is 40% 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% 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.

SPECIAL PROVISIONS / CREDITS

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

MANUFACTURED HOME TAX

REVENUE (IN MILLIONS)

Calendar	Taxes
<u>Year</u>	<u>Levied</u>
1998	\$32.9
1999	36.4
2000	35.1
2001	30.8

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% goes to the county auditor and 2% goes to the county treasurer as reimbursement for administrative costs.

SECTIONS OF OHIO REVISED CODE

Sections 4501.01, 4503.06 - 0611, and 4503.99.

RESPONSIBILITY FOR ADMINISTRATION

County Auditor, County Treasurer, and Tax Commissioner.

REMITTER OF TAX

All manufactured or mobile home owners not specifically exempt.

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.

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 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.

MANUFACTURED HOME TAX

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.
- 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) will 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.

MANUFACTURED HOME TAX

COMPARISON WITH OTHER STATES

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% of full cash value.

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 at 33-1/3% of fair cash value.
- 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¢ to 15.0¢ per square foot.

Indiana

- Base: Assessed at 100% effective February 28, 2001.
- Rate: The total state tax rate is limited to 0.33¢ on each \$100 of valuation; this rate reduced from 1.0¢ effective March 1, 2001. Incorporated areas are limited to a total rate of 66.67¢ on each \$100 of valuation, and all unincorporated areas are limited to a total rate of 41.67¢ on each \$100 of valuation; these rates were reduced from \$2.00 and \$1.25, respectively, effective March 1, 2001.

Kentucky

- Base: Classified as real estate if on a permanent foundation. Assessed at 100% 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 vehicle excise tax; base is 90% of list price for first year, depreciated to 10% for the fifth year and thereafter.
- Rate: Twenty-five dollars per \$1,000 of assessed value.

MANUFACTURED HOME TAX

COMPARISON WITH OTHER STATES (con't.)

Michigan

- Base: Assessed at 50% of cash value.
Rate: Total of local tax levies; a state education tax is imposed at 6 mills while the total cannot exceed 15 mills.

New Jersey

- Base: When affixed to the land via a permanent foundation or connected to utility systems, assessed as real property at a percentage of true value not lower than 20% or higher than 100%. 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% of true value. If located in Ohio prior to January 1, 2000, it may be assessed at 35% of true value at the discretion of the home owner otherwise the manufactured home or mobile home is assessed at 40% 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% depending on location.
Rate: Total of local tax levies.

MANUFACTURED HOME TAX

COMPARISON WITH OTHER STATES (con't.)

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 not owned by the owner, it is taxed as personal property. All property is assessed at 60% of market value.
Rate: Sum of county and municipal levies; the West Virginia legislature sets rate for county boards of education. Maximum rates range from 5.0 to 20.0 mills based on class of property.

MUNICIPAL INCOME TAX

TAX BASE

The tax is generally imposed on:

Wages, salaries, and other compensation earned by residents of the municipality and by non-residents working in the municipality; and

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%.

Rates presently vary from a low of 0.25% to a high of 2.85%; over half of the rates are at 1%.

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;

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>
1997	\$2,807.5
1998	3,009.4
1999	3,178.8
2000	3,279.2

MUNICIPAL INCOME TAX

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.

SECTIONS OF OHIO REVISED CODE

Chapter 718.

RESPONSIBILITY FOR ADMINISTRATION

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

The Tax Commissioner administers the tax with respect to electric distribution companies.

REMITTER OF TAX

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.

Businesses which have net profits earned within the municipality.

PAYMENT DATES

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

Taxpayers making quarterly declarations file an annual estimated 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% 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.

MUNICIPAL INCOME TAX

HISTORY OF MAJOR CHANGES

- 1946 • Toledo enacted first tax.

- 1957 • General Assembly enacted Uniform Municipal Income Tax Law establishing statewide 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 continue to tax intangible income.

- 1992 • Municipalities authorized to grant job creation credits.

- 1993 • Authorized that income taxes can be shared with a school district.

- 1997 • Municipalities authorized to exempt stock options.

- 1999 • Effective in 2002, electric utilities made subject to tax.
 - More uniform standards established.
 - Beginning in 2001, a nonresident working in a municipality not subjected to municipal income tax if the nonresident works twelve or fewer days in the municipality. The twelve 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 tax as it applies to electric companies.

- 2000 • No new joint municipal/school district taxes permitted.

MUNICIPAL INCOME TAX

COMPARISON WITH OTHER STATES

California

Los Angeles

A payroll expense tax of \$33 per year is imposed upon 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% tax is imposed on an employer's payroll expense. Small businesses (tax liability not to exceed \$2,500) are exempt.

Both 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%, 0.75%, or 1%, and on nonresidents at 0.25%. In addition, counties are authorized to adopt a county adjusted gross income tax at the rate of 1.1% or 1.3%, depending on population size. In both cases, the term is for four years after which the rate drops to 1.0%.

County Option Income Tax

Counties are authorized to impose a county option income tax which may be levied initially at 0.2% on resident county taxpayers and at a rate of 0.05% for all other county taxpayers. The rate on resident county taxpayers increases by 0.1% each July 1st, until the rate equals 0.6%. A county income tax council may increase the rate from 0.6% to 1% in 0.1% 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% to a maximum of 0.5%.

MUNICIPAL INCOME TAX

COMPARISON WITH OTHER STATES (con't.)

Indiana (con't)

The total of a county's economic development tax and the adjusted gross income tax cannot exceed 1.25%; the economic development tax combined with the county's option income tax cannot exceed 1%, except under special circumstances when it could go to 1.25%.

Kentucky

Lexington-Fayette Urban County Government:

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

Louisville and Jefferson County:

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

Michigan

Cities may impose a tax at the rate of 1% on residents, and 0.5% on nonresidents. Effective July 1, 1999 and each July 1 thereafter, Detroit's 3% maximum city tax rate on residents is reduced by 0.1% until the rate reaches 2%. 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 has a payroll tax imposed at the rate of 1% on all employers having a payroll of more than \$2,500 per calendar quarter.

New York

New York City

The tax is imposed on resident individuals at graduated rates of 2.55% to 3.2%. In addition, resident individuals, estates, and trusts are subject to a surcharge of 7% or 14% depending on income level and filing status.

MUNICIPAL INCOME TAX

COMPARISON WITH OTHER STATES (con't.)

New York (con't)

Yonkers

A city income tax is imposed on residents at a rate of 15% of the net state tax. In addition, a tax of 0.5% is imposed on the wages earned and net earnings from self-employment within the city of all nonresidents.

Ohio

A flat-rate income tax can be levied up to 1% without voter approval in all cities and villages. A tax exceeding 1% may be enacted only with voter approval. The tax is imposed on wages, salaries, and other compensation of individuals and net profits of businesses and professions received within the municipality.

Pennsylvania

Cities and boroughs may tax earned income and occupational privilege taxes of individuals and businesses.

Pittsburgh imposes an earned income and net profits tax at 1%.

Florida, Illinois, Massachusetts, Texas, and West Virginia do not impose municipal income taxes.

PROPERTY TAX - GENERAL TANGIBLE

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% for all property except inventories, which will be assessed at 24% for 2002. The inventory assessment percentage will be phased out by reducing the percentage by one percent each year starting in tax year 2002 if revenue growth conditions are met (growth conditions are removed beginning in tax year 2007). The phase out will be completed by 2025, if the revenue growth conditions are met each year. If the revenue growth conditions are not met in any or all of the 2003 - 2006 years, the reduction will be completed no later than 2029.

RATES

Tax millage rates vary with taxing jurisdiction. The rates applied to tangible personal property values are the full voted and unvoted millage rates. The 2000 average tax rate was 73.86 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 of insurance companies, financial institutions, and dealers in intangibles used in their business is exempt unless the equipment is leased to others.

PROPERTY TAX - GENERAL TANGIBLE

MAJOR EXEMPTIONS (con't.)

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 01/01/92 and only inventories exempt under federal law in foreign trade zones established on or after 01/01/92.

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 ten 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 - GENERAL TANGIBLE

REVENUE (IN MILLIONS)

Calendar Year	Net Taxes Levied	\$10,000 Exemption Reimbursements
1997	\$1,519.3	\$89.9
1998	1,576.1	91.7
1999	1,644.8	91.8
2000	1,720.7	93.6

DISPOSITION OF REVENUE

Revenue is distributed to the 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% of the total personal property tax revenue.

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.

REMITTER OF TAX

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

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.

PROPERTY TAX - GENERAL TANGIBLE

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.

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

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% until property is exempt in 1973.
 - Assessment percentages applied to inventories and restaurant property gradually reduced from 70% to 50% by 1971.
- 1971 • Assessment percentages for inventories gradually reduced from 50% to 45% by 1974.
 - Assessment percentages for furniture and fixtures gradually reduced from 70% to 50% by 1976.
- 1976 • Starting in 1977, whenever annual revenue growth conditions are satisfied, assessment percentages reduced by 2 percentage points each year until reaching 35% (Revenue growth conditions were satisfied in 1977 and 1978, reducing assessment percentages for inventories from 45% to 41% and assessment percentages for all other property from 50% to 46%.)
- 1978 • Revenue growth conditions removed to allow annual reductions in assessment percentages to the 35% level.

PROPERTY TAX - GENERAL TANGIBLE

HISTORY OF MAJOR CHANGES (con't.)

- 1978 • Credit against the corporate 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 are satisfied, assessment percentages reduced by one percentage point each year until reaching 25%.
 - Exemption enacted for first \$10,000 of taxable value.
- 1985 • Growth condition removed from law—annual reductions made automatic until reaching 25% level in 1993.
- 1992 • Definitions of real and personal property revised.
- 1994 • Enterprise zone program extended to December 31, 1997 and reduced maximum percentage for tax exemptions.
- 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 are met (growth conditions removed beginning in tax year 2007).
 - Beginning tax year 2002, the assessment percentage on electrical generating equipment reduced from the current 100 percent to 25 percent.
 - Enterprise zone program extended to June 30, 2004.
 - Enterprise zone program extended to certain qualified electric generating peaking units.

COMPARISON WITH OTHER STATES (AS OF 12/01)

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 percent of the full cash value of the property.

PROPERTY TAX - GENERAL TANGIBLE

COMPARISON WITH OTHER STATES (con't.)

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 \$0.33 per \$100 of valuation. Total rate in all incorporated areas is limited to \$0.6667 while total rate in all unincorporated areas is limited to \$0.4167 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 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. However, total rate can not exceed 15 mills, or 1.5 percent, on each dollar of assessed value unless the voters approve higher rate. There is a state education tax levy of 6 mills imposed on all property.

PROPERTY TAX - GENERAL TANGIBLE

COMPARISON WITH OTHER STATES (con't.)

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. Property assessed, in general, 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 whose assessment rate is 24 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.

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.

PROPERTY TAX - PUBLIC UTILITY TANGIBLE

TAX BASE

In Ohio, local telephone, long distance telephone, telegraph, electric, natural gas, pipe-line, water-works, water transportation, heating, rural electric, and railroad companies are defined as public utilities for tangible property tax purposes. The true value of tangible personal property is based on composite of annual allowances and is assessed at 25%, except:

- a) 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%;
- b) rural electric transmission and distribution property is assessed at 50%.

For information on public utility taxable real property, (see Property Tax - Real.)

APPORTIONMENT OF TAX BASE

Generally, public utilities are valued as statewide units and the values are distributed to the taxing districts in which the 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% in the taxing district where located.

RATES

Vary with taxing jurisdiction. Total tax rate includes all voted levies.

MAJOR EXEMPTIONS

Property of municipally-owned utilities.

Certified air, water and noise pollution control equipment.

Registered motor vehicles.

Personal property under construction.

PROPERTY TAX - PUBLIC UTILITY TANGIBLE

REVENUE (IN MILLIONS)

Calendar Year	Taxes Levied
1997	\$985.9
1998	1,002.2
1999	960.2
2000	967.7

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% of the public utility personal property tax revenue.

SECTIONS OF OHIO REVISED CODE

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

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner assesses personal property of all public utilities.

REMITTER OF TAX

All public utilities that are subject to the tax, and all other telecommunications companies.

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.

PROPERTY TAX - PUBLIC UTILITY TANGIBLE

HISTORY OF MAJOR CHANGES

- 1910 • Public utility property assessed by Tax Commission.
- 1939 • Public utility property assessed by newly-created Tax Commissioner, a new position to replace the state Tax Commission.
- 1941 • Assessment level for personal property of rural electric companies reduced from 100% to 50%. (All other public utility property assessed at 100%.)
- 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 is assessed at same level as non-utility tangible personal property; current assessment level is 25%.
- 1985 • Seventy percent of the value of production plant equipment of electric companies is apportioned to the taxing district in which the property is physically located. Remaining value is 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 whose cost exceeds \$1 billion, the amount in excess of \$420 million is apportioned according to the distribution base.
 - True value of public utility personal property is based on composite annual allowances, and taxable property of most public utilities is reduced from 100% to 88% of true value.
 - True value of electric production equipment statutorily defined as 50% of original cost; 100% assessment rate retained.

PROPERTY TAX - PUBLIC UTILITY TANGIBLE

HISTORY OF MAJOR CHANGES (con't.)

- 1995 • All interexchange telecommunication company personal property is assessed at 25% of true value. Local telephone company personal property added to the tax rolls during tax year 1995 and thereafter is assessed at 25% of true value.
- 1999 • Beginning January 1, 2001, electric and rural electric utility personal property, excluding transmission and distribution property, will be assessed at 25%.
 - Beginning January 1, 2001, electric production equipment will be 100% situated in the taxing district in which property is located.
- 2000 • Beginning January 1, 2001, natural gas personal property tax assessment rates are lowered from 88% to 25%.

COMPARISON WITH OTHER STATES

California

- Assessor: State Board of Equalization.
- Assessment: Fair 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.

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.

PROPERTY TAX - PUBLIC UTILITY TANGIBLE

COMPARISON WITH OTHER STATES (con't.)

Indiana

Assessor:	Township officials assess the fixed property of public utility companies, while the State Board of Tax Commissioners assess the distributable property of public utility companies.
Assessment:	Thirty-three and one-third percent of true cash value through February 28, 2001. Increases to 100% after February 28, 2001.
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:	The state's Revenue Cabinet.
Assessment:	Fair cash value.
Tax Rate:	State rates per \$100 of assessed value: 14.1¢ on real property, 45¢ on tangible personal property and 0.15¢ on telephonic equipment. The Railroad Revitalization and Regulatory Reform tax rate for intrastate railroads is 23.21¢ per \$100 of assessed value, while the aggregate of state and local levies is 67.58¢ per \$100 of assessed value. Local rates may apply.

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

COMPARISON WITH OTHER STATES (con't.)

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. Telegraph, telephone and messenger companies assessed specially.
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% 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

COMPARISON WITH OTHER STATES (con't.)

Ohio

Assessor:	The Tax Commissioner assesses the tangible personal property of all public utilities.
Assessment:	Distribution and transmission property of electric public utilities is assessed at 88% of true value. Most other public utility personal property is assessed between 25% and 88% of true value.
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% of its fair market value.
Tax Rate:	Sum of state, county, municipality and school district levies; limitations imposed.

PROPERTY TAX - REAL

TAX BASE

The taxable base is the assessed value of land and buildings. Assessed value is 35% 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 2000 average statewide gross tax rate was 79.68 mills. Application of "tax reduction factors" resulted in an average statewide net tax rate of 51.82 mills.

The Ohio Constitution prohibits governmental units from levying property taxes which in total exceed 1% of true value unless approved by the voters. Ohio law further limits property taxes to 1% 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 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.

PROPERTY TAX - REAL

REVENUE (IN MILLIONS)

Tax Year	Property Tax Relief		
	Taxes Charged Before Relief ⁽¹⁾	Percentage Rollback ⁽²⁾	Homestead Exemption
1997	\$7,172.5	\$816.3	\$66.0
1998	7,583.3	864.8	63.1
1999	8,129.3	922.3	66.3
2000	8,697.8	991.0	65.0

⁽¹⁾ Taxes charged represent real estate and public utility real property taxes after tax reduction factors but before 10% and 2.5% rollbacks and homestead exemption.

⁽²⁾ Percentage rollback represents the 10% rollback for all real property, including public utility real property, and the 2.5% rollback for residential real property.

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 65% of the total real property tax revenue.

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.

REMITTER OF TAX

All real property owners unless specifically exempt.

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 taxpayers' payments of the tax to January 31 and to July 20, respectively. 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 mills.

Forest land devoted exclusively to forestry or timber growing may be taxed at 50% 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% reduction in each taxpayer's real property tax bill. In addition to the 10% rollback, a 2.5% 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 the 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 were also indexed. For tax year 2002, the income classes and the reduction in values were as follows:

Total Income of Owner and Spouse	Reduce Taxable Value By the Lesser of
\$12,500 or less	\$5,100 or 75% of taxable value
12,501 - \$18,300	3,100 or 60% of taxable value
18,301 - 24,100	1,000 or 25% of taxable value
24,101 and over	-0-

PROPERTY TAX - REAL

SPECIAL PROVISIONS / CREDITS (con't.)

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.

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% of true value since 1911).
- 1931 • Constitutional amendment limited levies without voters approval to 1 1/2% of true value.
- 1933 • Constitution set limit of 1% of true value on non-voted levies.
- 1934 • Statute reduced aggregate tax limit from 15 mills to 10 mills for non-voted levies.

PROPERTY TAX - REAL

HISTORY OF MAJOR CHANGES (con't.)

- 1939 • State Tax Commission replaced by Department of Taxation; a Board of Tax Appeals, which supervised 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% of true value, with actual percentage to be established by uniform rule of Board of Tax Appeals.
- 1971 • Enactment of 10% rollback homestead exemptions.
- 1972 • BTA rule set tax value at 35% of true value to be implemented by all counties as they complete their sexennial reappraisal cycle, with annual adjustments to maintain the 35% level.
- 1973 • Top 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.
 - 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.

PROPERTY TAX - REAL

HISTORY OF MAJOR CHANGES (con't.)

- 1979 • A 2.5% tax rollback on residential property is granted.
 - Set the upper income limit of the homestead exemption at \$15,000 and created three \$5,000 income brackets.
 - Constitutional amendment passed effective for 1980, 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.
- 1999 • The limit of each homestead exemption income bracket increased by 10.6% for tax year 1999. The brackets (tax year 2000) and the taxable value reductions (tax year 2002) will be indexed based on gross domestic product deflator in future tax years.
 - Certain manufactured homes that would otherwise be subject to the manufactured home tax will be converted to, and taxed as, real property.
 - Each board of county commissioners is permitted to charge a lower real estate transfer fee for homestead exemption qualifiers than for other taxpayers.

PROPERTY TAX - REAL

COMPARISON WITH OTHER STATES

The complexity of real estate laws prevents simple rate comparisons among states. However, set forth below is the property tax liability on the median residential home value in the largest city in each of the thirteen selected states for 1999:

State	Median Home Value in Largest City ⁽¹⁾	Property Tax On Median Home ⁽²⁾
New Jersey	\$110,000	\$3,960
Massachusetts	161,400	2,163
California	244,500	1,956
Texas	57,700	1,639
New York	189,600	1,574
Florida	63,800	1,359
Pennsylvania	49,400	1,304
Ohio	65,500	1,094
Indiana	61,200	875
Illinois	78,000	741
West Virginia	65,700	598
Kentucky	44,300	589
Michigan	25,600	502

⁽¹⁾ Source: 1990 Census Data (most recent available data).

⁽²⁾ Source: Department of Finance and Revenue, District of Columbia, *Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison, 1999 Edition*, published July, 2000.

SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY

TAX BASE

County Sales Tax	}	Sales and rental of tangible personal property and selected services.
Additional County Sales Tax (for special purposes)		
Transit Authority Sales Tax		

RATES

County Sales Tax	0.25%, 0.5%, 0.75%, or 1.0%
Additional County Sales Tax (for special purposes)	0.25% or 0.5%
Transit Authority Sales Tax	0.25%, 0.5%, 0.75%, 1.0%, 1.25%, or 1.5%

MAJOR EXEMPTIONS

(See SALES AND USE TAX - STATE.)

REVENUE (in millions)

Fiscal Year	County Sales & Use Tax	Transit Authority Sales & Use Tax	Adm. Fund	Total ⁽¹⁾
1998	\$940.1	\$232.1	\$11.9	\$1,184.1
1999	996.3	237.5	12.5	1,246.3
2000	1,044.9	262.9	13.3	1,321.1
2001 ⁽²⁾	1,068.8	270.0	13.6	1,352.4

⁽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 January 1, 2002, 87 counties and 6 transit authorities levied the tax.

DISPOSITION OF REVENUE

County Sales Tax
County general revenue fund and administrative expenses.

SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY

DISPOSITION OF REVENUE (con't)

Additional County Sales Tax
Allocated to one or more of the following: county general fund; transit authority; county permanent improvements; convention facilities notes or bonds; implementation of a 9-1-1 system in the county; operation and maintenance of a detention facility; construction or renovation of sports facility; or conservation easements.

Transit Authority Sales Tax
All transit purposes of the transit authority and administrative expenses.

SECTIONS OF OHIO REVISED CODE

County Sales Tax
Sections 5739.021, 5739.022, 5739.025, 5739.21, 5739.211, 5741.021, 5741.03, and 5741.031.

Additional County Sales Tax
Sections 133.312, 307.282, 307.283, 351, 5739.025, 5739.026, and 5741.023.

Transit Authority Sales Tax
Sections 306.321, 306.70, 306.71, 5739.01, 5739.023, 5739.025, 5739.21, 5739.211, 5741.01, 5741.022, 5741.03, and 5741.031.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

(See SALES AND USE TAX - STATE.)

PAYMENT DATE

(See SALES AND USE TAX - STATE.)

SPECIAL PROVISIONS / CREDITS

- One percent of the county tax, one percent of the additional county tax, and one percent of the transit authority tax are credited to the Local Sales Tax Administrative Special Fund for use by the Tax Commissioner in administration.

SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY

SPECIAL PROVISIONS / CREDITS (con't)

2. Qualified municipal corporations and townships (**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%), Village of Put-in-Bay (1.5%), and the township of Put-in-Bay (1.5%). The Tax Commissioner administers this tax.

HISTORY OF MAJOR CHANGES

County Sales Taxes

- 1967 • General Assembly granted power to counties to levy the county sales tax at 0.5% 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% or 1%.
- 1986 • Counties authorized to levy the additional county sales tax at 0.5% for specified purposes subject to voter approval.
- 1987 • County sales tax or additional county sales tax authorized at 0.25% 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 that the additional county sales tax may be levied.

Transit Authority Sales Tax

- 1974 • General Assembly authorized transit authorities to levy the tax, subject to voter approval, at the following rates: 0.5%, 1%, or 1.5%.

SALES AND USE TAX - COUNTY AND TRANSIT AUTHORITY

HISTORY OF MAJOR CHANGES (con't.)

- 1975 • Greater Cleveland Regional Transit Authority adopted the tax at a 1% rate.
- 1980 • Miami Valley R.T.A. and Central Ohio Transit Authority adopted the tax at a 0.5% rate.
- 1985 • The 0.5% rate for Central Ohio Transit Authority expired.
- 1987 • Transit authority tax authorized at 0.25% increments.
- 1989 • Central Ohio Transit Authority adopted the tax at a 0.25% rate.
- 1991 • Summit County Metro Transit Authority adopted tax at a 0.25% rate.
- 1997 • Stark Area Regional Transit Authority adopted tax at a 0.25% rate.

COMPARISON WITH OTHER STATES (See SALES AND USE TAX - STATE.)