



Property Tax – Tangible Personal Property

The tangible personal property tax, which applies to property used in business in Ohio, is gradually being phased out as part of a broader series of tax reforms enacted in 2005 by the General Assembly. In 2009, for the first time in 163 years, the vast majority of Ohio businesses no longer faced a tax on tangible personal property.

During the 2008 tax year, taxes levied on tangible personal property totaled approximately \$539.7 million on a taxable value of approximately \$6.6 billion. Tangible personal property replacement payments to schools and local governments (see **Special Provisions**) amounted to \$1.3 billion in fiscal year 2009.

The general taxation of tangible personal property in Ohio can be traced back to 1846, when the Ohio General Assembly enacted a law requiring that all property in Ohio be taxed by uniform rule. Since 1931, state law has limited the tax to machinery, inventory, furniture, fixtures and other tangible personal property used in the course of conducting business.

The ongoing phase-out plan calls for the percentage of true value at which tangible personal property is listed for tax purposes to be reduced gradually to zero. For the 2008 tax year, tangible personal property was listed at 6.25 percent of true value. For most taxpayers, the tax ended with the final payments due in September 2008. This general listing percentage fell to zero for 2009 and subsequent years.

In 2009 and 2010, the tax will temporarily continue to apply to telephone companies and inter-exchange telecommunications companies. For these companies, the tax is being phased out according to a different schedule, with the assessment percentage falling to zero for the 2011 tax year. For details, see **Tax Base**, below.

Taxpayer

The tangible personal property tax is paid by two types of taxpayers: inter-county and single-county.

An inter-county taxpayer is any business holding taxable tangible personal property in more than one county in Ohio. A single-county taxpayer is a business holding taxable tangible personal property in only one county in Ohio.

Tax Base

(Ohio Revised Code 5701.03, 5701.08, 5709.01, 5711.03, 5711.15-.18, 5711.22)

The tax base is tangible personal property located and used in business in Ohio, including machinery, equipment, and inventories. The assessment percentage for all tangible personal property, including inventory, was 12.5 percent of true value for tax year 2007, 6.25 percent of true value for tax year 2008 and zero starting in tax year 2009.

Taxable value is determined by applying the appropriate assessment percentage to the true value of different classes of tangible personal property. The true value of business property assets (machinery and equipment, furniture and fixtures, etc.) is statutorily defined as depreciated book value, unless the assessor determines otherwise. The true value of manufacturers' and merchants' inventories is determined by the average monthly value (essentially, the cost of acquisition) of the inventories. Inventories of other taxpayers are listed at their value as of the tax listing date (generally Dec. 31).

Although the tax was phased out for most taxpayers in 2009, it continued to apply to telephone companies and inter-exchange telecommunications companies through tax year 2010. The tax phases out for these companies over a two-year period. Starting with the 2007 tax year, such companies were defined as general business taxpayers instead of public utilities and began to see their listing percentages phased out according to the following schedule: 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5 percent in 2010, and zero percent in 2011.

Rates

(R.C. 319.31, 5705.02, 5705.03, 5705.05, 5705.19)

Tangible personal property tax rates vary by taxing jurisdiction. The total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, and special districts.

The rates applied to tangible personal property are the same as the rates applied to real estate and public utility property. However, gross taxes levied on real property are re-



duced when real property values increase, while taxes levied against tangible property are not reduced. The statewide average tax rate on tangible property in 2008 was 81.88 mills.

Exemptions and Exceptions

Exemptions include:

- the first \$10,000 of otherwise taxable value for each company. Since the 2004 tax year, taxpayers with a taxable value of less than \$10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in fiscal year 2004. The phase-out ended in FY 2009 (R.C. 5709.01).
- property not used in business – for example, property owned and not used for gain by any level of government, or schools, churches or colleges (R.C. 5701.08, 5709.07, 5709.08, and 5709.12).
- registered motor vehicles and licensed aircraft (R.C. 5701.03 and 5709.01).
- personal property used in agriculture (R.C. 5701.08).
- patterns, jigs, dies, and drawings used in business which are held for use and not for sale (R.C. 5701.03).
- certified air, water, and noise exempt facility equipment (R.C. 5709.20–5709.28).
- tangible personal property of domestic and foreign insurance companies, financial institutions, and dealers in intangibles (except property held for the purpose of leasing to others) (R.C. 5725.25 and 5725.26).
- machinery and equipment while under installation or construction in a plant or facility and not capable of operation (R.C. 5701.08).
- certified energy conversion facilities, meaning property used to convert a commercial or industrial facility from the use of natural gas or fuel oil to any other fuel except propane, butane, or naphtha (R.C. 5709.25).
- certified thermal efficiency improvement facilities, meaning property used for recovery and use of waste heat or steam produced in generating electricity, heat generation, lighting, refrigeration, or space heating (R.C. 5709.25).
- certified solid waste energy conversion facilities, meaning property used to convert solid waste from industrial operations into energy for some useful purpose (R.C. 5709.25).
- inventories held in a foreign trade zone (R.C. 5709.44).
- property in a public recreational facility used for athletic events, or by a major league athletic team or a class A to class AAA minor league baseball team, if certain criteria are met (R.C. 5709.081).
- inventories shipped from outside Ohio, held in storage only, and shipped back out of Ohio (R.C. 5701.08 and 5711.22).
- leased property used by the lessee exclusively for agricultural purposes (R.C. 5701.08).
- new and used machinery, equipment, and accessories designed and built for agricultural use, while in the inventory of a merchant (R.C. 5701.08).

- property used in the production of grape juice or wine and grape juice and wine inventory not held in labeled containers in which it will be sold (R.C. 5709.55).
- manufacturing machinery and equipment first placed in service in Ohio on or after Jan. 1, 2005 (R.C. 5711.16 and 5711.22).

Special Provisions

Tangible personal property tax replacement payments (R.C. 5751.20 – 5751.22)

Schools and local governments are reimbursed for the loss of tax revenue due to the elimination of the tax on tangible personal property. The commercial activity tax is the primary revenue source for the tax replacement payments (although the state General Revenue Fund is used as a funding source if commercial activity tax revenues are not sufficiently large to fund the mandated replacement payments). The replacement payments are based on levies approved before Sept. 1, 2005 and tangible personal property values that existed as of Aug. 31, 2005. As revenue from taxes on tangible personal property has fallen since tax year 2005, replacement payments to schools and local governments have been ramped up in order to hold these entities “harmless” on qualifying levies through fiscal year 2011. The replacement payments to local governments will begin to decline in fiscal year 2012. Replacement payments to schools will begin to decline in fiscal year 2014. However, schools collectively are guaranteed to permanently receive 70 percent of all commercial activity tax revenue, which means that as the replacement payments decline after fiscal year 2014, the schools will nonetheless continue to receive distributions from the commercial activity tax based on a formula to be determined in future legislation.

Enterprise Zone Abatements (R.C. 5709.61 – 5709.69)

Companies may receive up to a 75 percent exemption for up to 15 years for tangible personal property used in an enterprise zone located within a municipality. The exemption is limited to 60 percent for zones in unincorporated areas. Exemptions may exceed these levels if agreed upon by the school district in question.

Companies seeking this exemption must submit an investment proposal to the local authority that created the zone where the operation will be located. Special exemptions are available for property being used at a facility located initially within a contaminated site which is being remediated and for property at a large manufacturing operation that has ceased or will cease operation.

The \$10,000 Exemption (R.C. 5709.01)

The first \$10,000 of otherwise taxable value for each company is exempt. Since the 2004 tax year, taxpayers with a taxable value of less than \$10,000 were no longer required to file a return. A phase-out of a reimbursement to local subdivisions for the revenues lost due to this exemption began in fiscal year 2004. The phase-out was scheduled to end in fiscal year 2009.

Filing and Payment Dates

(R.C. 319.29, 323.17, 5711.01, 5711.04, 5711.25, 5719.02, 5719.03)

Feb. 15 to April 30 – Returns are filed by all businesses during this period unless the county auditor or Tax Commissioner allows an extension to June 15. Taxpayers first engaging in business after Jan. 1 file a return within 90 days of the day they start business. Single-county taxpayers pay one-half of tax due when filing tax returns.

Second Monday in August – By this date, the Tax Commissioner certifies preliminary tangible personal property valuations of inter-county taxpayers to the county auditors.

Third Monday in August – County auditors certify and deliver tangible personal property lists to county treasurers.

Sept. 20 – Inter-county corporations pay total tax liability by this date, and the second half of tax is also due from all other taxpayers. If an emergency occurs (as defined in R.C. 323.17), this due date may be extended for up to 30 days by the county treasurer.

Disposition of Revenue

(R.C. 319.50, 319.54, 5705.10, 5719.02, 5719.05)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total

voted millage levied by each or as apportioned by the county budget commission (for millage inside the 10-mill limit).

During 2008, school districts received 71.5 percent of the total revenue. Municipalities received 5.3 percent, townships received 4.5 percent, and counties and special districts collectively received 18.7 percent.

During 2007, school districts received 71.6 percent of total revenue. Municipalities received 5.4 percent, townships 4.2 percent, and counties and special districts combined received 18.8 percent.

Administration

(R.C. 5711.11, 5711.13)

Each county auditor is a deputy of the Tax Commissioner for purposes of this tax.

Inter-county taxpayers – meaning businesses with taxable property in more than one county – file with and are assessed by the Tax Commissioner.

Single-county taxpayers – meaning businesses with taxable property in only one county – file with and are assessed by their county auditor. County auditors forward a copy of each return to the Tax Commissioner.

Ohio Revised Code Citations

Chapters 319, 323, 5701, 5705, 5709, 5711, and 5719.

Chart

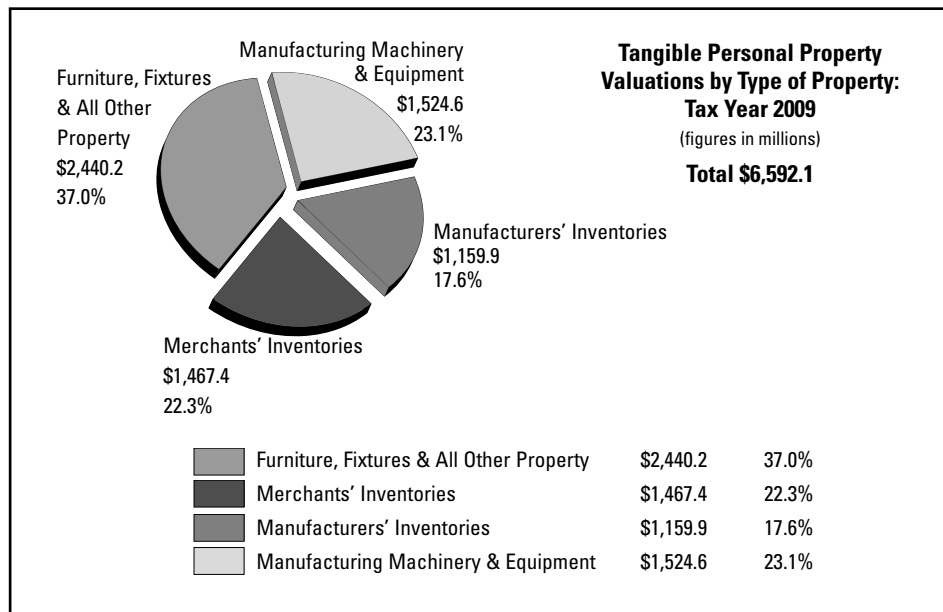


Table 1

Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2004-2008					
Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2004	\$21,264,429,182	\$1,651,707,142	-0.9%	0.9%	77.67
2005	21,330,431,245	1,695,986,799	0.3%	2.7%	79.51
2006	16,666,716,199	1,345,184,777	-21.9%	-20.7%	80.71
2007	12,271,111,018	1,002,333,421	-26.4%	-25.5%	81.68
2008	6,592,078,011	539,740,043	-46.3%	-46.2%	81.88

Table 2

Taxes Levied on Tangible Personal Property by Subdivision, Tax Years 2004-2008						
Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
2004	\$91,805,256	\$1,180,559,846	\$65,186,570	\$314,155,470	\$422,188,610	\$2,073,895,751
2005	91,706,105	1,219,108,372	66,583,844	318,588,478	478,564,314	2,174,551,113
2006	72,561,973	963,554,947	54,885,158	254,182,699	464,677,698	1,809,862,475
2007	53,546,471	717,690,030	42,329,372	188,767,548	322,319,603	1,324,653,024
2008	28,538,252	385,853,987	24,375,012	100,972,792	410,272,854	950,012,897

Table 3

Taxes Levied on Tangible Personal Property in Ohio Cities, by Subdivision, Tax Years 2004-2008						
Tax Year	Taxes Levied in Cities				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
2004	\$81,650,597	\$794,411,073	\$7,009,862	\$212,647,084	\$290,270,093	\$1,385,988,710
2005	81,300,541	820,752,565	6,990,412	214,755,299	307,210,705	1,431,009,522
2006	64,312,033	642,670,771	6,028,868	170,238,065	318,696,436	1,201,946,173
2007	47,675,780	476,905,755	4,671,937	125,867,389	200,012,908	855,133,769
2008	25,558,251	254,028,329	2,534,716	66,807,635	275,628,237	624,557,168

1 Includes Joint Vocational Schools.

2 Includes special districts.

Table 4

Assessed Value of Tangible Personal Property, by Class of Property, Tax Years 2007-2008 (in millions of dollars)				
	Assessment Levels (% of True Value)		Assessed Taxable Value of All Taxpayers	
	2007	2008	2007 ¹	2008 ¹
	Manufacturing Machinery & Equipment	12.50%	6.25%	\$3,239.6
Manufacturers' Inventories	12.50%	6.25%	2,160.2	1,159.9
Merchants' Inventories	12.50%	6.25%	2,716.3	1,467.4
Furniture, Fixtures, & All Other Property	12.50%	6.25%	<u>4,155.0</u>	<u>2,440.2</u>
Total			\$12,271.1	\$6,592.1

Table 5

Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1999-2009						
Tax Year	Manufacturing Machinery and Equipment	Manufacturers Inventories	Merchants Inventories	Electrical Equipment ²	Telephone and Inter-exchange Telecommunications Property ³	All Other Property ⁴
1999-2001	25.00%	25.00%	25.00%	88.00%	--	25.00%
2002	25.00	24.00	24.00	88.00	--	25.00
2003-2005	25.00	23.00	23.00	88.00	--	25.00
2006	18.75	18.75	18.75	85.00	--	18.75
2007	12.50	12.50	12.50	85.00	20.00	12.50
2008	6.25	6.25	6.25	85.00	15.00	6.25
2009	0.00	0.00	0.00	85.00	10.00	0.00

¹ Figures by class of property are estimated. Railroad property has been excluded from these figures.

² Property used in generating or distributing electricity to others (except utilities).

³ Beginning in tax year 2007, telecommunications property is listed as general tangible personal property (and no longer listed as public utility personal property).

⁴ Includes furniture and fixtures.

Table 6

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2008							
County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)	County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)
ADAMS	\$17,096,970	\$848,260	49.61	LOGAN	\$38,028,600	\$2,439,409	64.15
ALLEN	156,993,920	9,300,811	59.24	LORAIN	140,453,310	11,486,336	81.78
ASHLAND	24,380,478	1,829,352	75.03	LUCAS	244,770,483	22,827,682	93.26
ASHTABULA	61,457,200	4,672,964	76.04	MADISON	25,291,740	1,683,320	66.56
ATHENS	12,589,900	1,065,086	84.60	MAHONING	99,648,400	8,016,294	80.45
AUGLAIZE	36,870,470	2,388,376	64.78	MARION	40,192,852	2,633,502	65.52
BELMONT	55,686,840	3,407,109	61.18	MEDINA	81,977,284	7,471,189	91.14
BROWN	7,872,616	395,313	50.21	MEIGS	3,712,160	176,765	47.62
BUTLER	462,545,882	35,026,194	75.72	MERCER	19,949,750	1,145,917	57.44
CARROLL	8,433,286	504,028	59.77	MIAMI	64,836,820	4,289,176	66.15
CHAMPAIGN	19,815,098	1,338,471	67.55	MONROE	7,954,110	392,942	49.40
CLARK	56,128,456	3,957,936	70.52	MONTGOMERY	255,311,718	24,863,439	97.38
CLERMONT	59,993,913	5,236,768	87.29	MORGAN	3,026,923	163,448	54.00
CLINTON	25,734,308	1,385,794	53.85	MORROW	11,359,290	682,316	60.07
COLUMBIANA	32,209,270	1,918,533	59.56	MUSKINGUM	38,833,420	2,608,283	67.17
COSHOCTON	20,652,323	1,159,247	56.13	NOBLE	3,408,740	153,529	45.04
CRAWFORD	23,845,402	1,726,870	72.42	OTTAWA	22,911,143	1,589,537	69.38
CUYAHOGA	731,202,484	74,191,839	101.47	PAULDING	6,847,357	403,625	58.95
DARKE	21,655,310	1,146,196	52.93	PERRY	5,995,952	370,453	61.78
DEFIANCE	25,204,440	1,585,955	62.92	PICKAWAY	23,752,801	1,419,115	59.75
DELAWARE	84,655,306	6,401,715	75.62	PIKE	12,503,860	765,134	61.19
ERIE	52,600,510	4,537,809	86.27	PORTAGE	74,687,440	6,743,391	90.29
FAIRFIELD	37,790,437	2,931,647	77.58	PREBLE	21,516,930	1,194,952	55.54
FAYETTE	21,505,841	1,267,124	58.92	PUTNAM	16,770,764	860,575	51.31
FRANKLIN	671,195,344	66,029,397	98.38	RICHLAND	83,460,601	6,554,213	78.53
FULTON	51,403,110	3,839,048	74.69	ROSS	33,529,260	2,062,956	61.53
GALLIA	11,581,853	548,940	47.40	SANDUSKY	41,859,349	2,423,684	57.90
GEAUGA	49,479,060	4,785,117	96.71	SCIOTO	20,706,620	1,247,201	60.23
GREENE	52,213,522	4,130,838	79.11	SENECA	26,506,434	1,761,332	66.45
GUERNSEY	23,307,450	1,317,425	56.52	SHELBY	66,522,837	3,831,379	57.59
HAMILTON	519,652,240	45,993,134	88.51	STARK	207,538,217	15,689,641	75.60
HANCOCK	61,020,975	3,774,248	61.85	SUMMIT	302,897,810	26,789,361	88.44
HARDIN	17,679,581	950,336	53.75	TRUMBULL	115,301,836	8,525,459	73.94
HARRISON	5,919,390	364,246	61.53	TUSCARAWAS	53,694,030	3,585,452	66.78
HENRY	23,321,980	1,733,380	74.32	UNION	51,707,450	3,888,344	75.20
HIGHLAND	15,721,620	734,487	46.72	VAN WERT	13,848,070	946,225	68.33
HOCKING	8,720,770	529,850	60.76	VINTON	3,894,620	184,574	47.39
HOLMES	23,592,450	1,237,999	52.47	WARREN	132,027,760	11,725,984	88.81
HURON	35,187,590	2,191,065	62.27	WASHINGTON	50,411,110	2,671,617	53.00
JACKSON	14,876,759	692,603	46.56	WAYNE	70,479,020	5,736,848	81.40
JEFFERSON	37,926,500	2,262,928	59.67	WILLIAMS	28,732,360	2,053,867	71.48
KNOX	30,927,725	1,767,529	57.15	WOOD	85,913,718	7,245,453	84.33
LAKE	126,658,316	11,443,346	90.35	WYANDOT	14,121,877	702,935	49.78
LAWRENCE	13,756,010	522,925	38.01				
LICKING	74,120,280	4,660,953	62.88	TOTAL	\$6,592,078,011	\$539,740,043	81.88

Table 7

Tangible Personal Property Tax - Tax Replacement Payments and \$10,000 Exemption Reimbursement Payments, by County, Fiscal Year 2009					
County	Tax Replacement Payments ¹	\$10,000 Exemption Reimbursements ²	County	Tax Replacement Payments ¹	\$10,000 Exemption Reimbursements ²
ADAMS	\$688,816	\$16,789	LOGAN	\$7,881,377	\$55,659
ALLEN	15,963,624	111,177	LORAIN	26,550,560	338,950
ASHLAND	4,610,806	67,721	LUCAS	57,151,963	647,717
ASHTABULA	12,005,905	130,431	MADISON	4,163,237	34,379
ATHENS	2,407,075	65,148	MAHONING	18,132,719	333,690
AUGLAIZE	6,118,848	55,007	MARION	6,578,442	59,576
BELMONT	3,437,782	71,135	MEDINA	17,108,410	290,870
BROWN	701,748	23,156	MEIGS	448,500	14,093
BUTLER	36,575,056	359,658	MERCER	2,727,478	52,240
CARROLL	791,766	23,777	MIAMI	14,603,853	135,848
CHAMPAIGN	3,905,770	37,095	MONROE	2,573,787	12,938
CLARK	9,935,789	128,900	MONTGOMERY	68,899,570	869,499
CLERMONT	11,043,444	196,997	MORGAN	367,959	9,319
CLINTON	4,391,233	36,594	MORROW	978,928	24,130
COLUMBIANA	5,141,785	109,363	MUSKINGUM	7,018,632	103,010
COSHOCTON	2,991,376	36,764	NOBLE	491,461	9,344
CRAWFORD	5,977,797	64,861	OTTAWA	3,168,039	67,863
CUYAHOGA	165,686,630	2,314,146	PAULDING	997,671	20,384
DARKE	3,085,013	64,445	PERRY	1,145,519	25,183
DEFIANCE	5,117,318	39,690	PICKAWAY	4,223,045	33,934
DELAWARE	10,979,255	138,649	PIKE	4,690,153	19,221
ERIE	14,530,223	137,869	PORTAGE	16,757,562	222,363
FAIRFIELD	7,042,769	129,048	PREBLE	3,001,557	31,371
FAYETTE	2,427,992	24,299	PUTNAM	2,545,426	36,148
FRANKLIN	150,782,609	1,567,387	RICHLAND	17,119,695	165,280
FULTON	6,860,534	71,336	ROSS	7,034,791	53,175
GALLIA	1,648,983	20,228	SANDUSKY	9,223,091	69,357
GEAUGA	10,828,115	210,742	SCIOTO	3,318,431	63,198
GREENE	9,345,849	137,684	SENECA	5,633,974	62,450
GUERNSEY	3,346,516	51,116	SHELBY	11,445,241	60,129
HAMILTON	116,202,212	1,399,888	STARK	41,174,426	484,802
HANCOCK	11,720,559	88,121	SUMMIT	65,024,025	790,149
HARDIN	2,265,201	25,257	TRUMBULL	23,078,669	249,311
HARRISON	913,547	13,351	TUSCARAWAS	9,580,389	128,628
HENRY	4,145,758	39,566	UNION	14,217,863	46,629
HIGHLAND	1,440,900	30,029	VAN WERT	2,121,234	38,365
HOCKING	1,162,377	27,683	VINTON	383,371	7,366
HOLMES	2,684,523	89,790	WARREN	25,643,413	182,146
HURON	4,333,511	78,988	WASHINGTON	8,728,098	74,238
JACKSON	1,747,965	23,297	WAYNE	14,725,388	185,728
JEFFERSON	5,855,865	53,301	WILLIAMS	5,457,851	60,804
KNOX	4,205,315	59,264	WOOD	18,354,591	161,265
LAKE	30,735,258	419,424	WYANDOT	2,516,226	25,855
LAWRENCE	1,287,104	20,104			
LICKING	10,864,680	134,363	TOTAL	\$1,274,921,818	\$15,300,238

1 Consists of payments made to school districts and local governments. School district payments reflect both "direct" replacement payments and "indirect" replacement payments made to schools through a reduction in the school foundation charge-off. Figures reflect payments made in August 2008, October 2008, and May 2009.

2 Beginning in fiscal year 2004, the reimbursement from the state to school districts and local governments for the revenue foregone as a result of the \$10,000 exemption was phased-out. In the fiscal year 2004 through 2009 period, the reimbursements equaled a designated percentage of the reimbursements paid in fiscal year 2003, with the percentage declining each year. Fiscal year 2009 is the last year in which reimbursements were paid. As a result, future editions of the Annual Report will no longer contain data related to the \$10,000 exemption. (Note: In previous editions of the Annual Report, this table provided the reported foregone revenue as a result of the \$10,000 exemption; in this year's Annual Report, the table indicates the amount of reimbursements paid.)