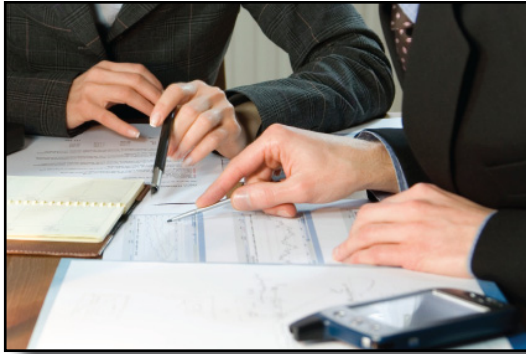


Ohio Use Tax



Do you owe Ohio use tax on the purchases you make in Ohio?

If you answer no or I don't know, you are not alone. Based on the Department's experience, many businesses are unaware that the answer is – **yes**, you do owe Ohio use tax on the purchases you make in Ohio.

Our experience also indicates that even those taxpayers who are remitting the use tax are not aware of the full extent to which use tax applies to their purchases. Our audit statistics show that 96% of our purchase audits result in taxpayers owing use tax.

Is the use tax a new tax recently enacted by the legislature?

No. Since 1936, Ohio has had a use tax on the storage, use or other consumption of tangible personal property and certain taxable services in Ohio. The tax is a complement to the Ohio sales tax. In general, if you have paid Ohio sales tax on an item, then you do not owe Ohio use tax. If you have not paid Ohio sales tax, then you have a responsibility to remit Ohio use tax directly to the State.

The use tax was enacted to create an equal playing field for in-state and out-of-state vendors. Because some out-of-state suppliers do not have to charge Ohio sales tax, it may be cheaper for consumers to buy items from the out-of-state vendor. However, with Ohio's use tax the purchaser owes tax even if the out-of-state vendor doesn't collect the sales tax.

For example, an Ohio company located in Cleveland needs to purchase a desk. The Ohio company has two choices – an in-state vendor or an out-of-state vendor.

Description	ABC Co. – Buffalo, NY	XYZ Co. – Columbus, OH
Executive Desk	\$2,600	\$2,600
Freight	250	200
Ohio Sales Tax	0	189
Total	2,850	2,989

The Ohio company would owe Ohio use tax on the \$2,850 transaction if it purchases the desk from ABC Co. in Buffalo, NY, and would need to remit the use tax directly to Ohio.

Why would I not pay my supplier Ohio sales tax?

The Department has heard numerous times from businesses: "We pay our suppliers the sales tax, so we don't have any use tax liabilities" and "Our suppliers know the laws, we rely on them to do it right." There are many reasons why your supplier would not charge Ohio sales tax. One major reason is your supplier may not be required by law to collect Ohio sales tax. With today's global economy, we have found that many companies are purchasing items from out-of-state suppliers. Mail order and Internet vendors are great examples of suppliers who typically do not have to collect Ohio sales tax.

Another reason is miscommunication between the supplier and the purchaser. A recent audit resulted in a \$1.8 million dollar use-tax liability for a taxpayer who thought the supplier was charging the tax, but wasn't. Still another reason is taxpayers are unaware that transactions between related companies are generally subject to sales tax. For example, a recent audit picked up a lease of tangible personal property between a parent and its subsidiary resulting in a \$500,000 use tax liability for the subsidiary.

What is subject to use tax?

Ohio law provides that all tangible personal property stored, used or otherwise consumed in Ohio along with certain taxable services used in Ohio are subject to use tax unless: (1) Ohio sales tax has been paid or (2) there is an exception or exemption that applies to the transaction.

In general, the following are examples of tangible personal property subject to use tax:

Office Equipment:	Computers, monitors, printers, scanners, fax machines, staplers
Office Supplies:	Paper, tape, business cards, calendars, envelopes, folders
Furniture:	Desks, chairs, tables, lamps, televisions, DVD players
Cleaning Supplies:	Mops, brooms, cleaners, paper towels, gloves, buckets

In general, the following are examples of services subject to use tax:

Installation	Snow removal
Repair	Janitorial and maintenance
Employment (temporary labor)	Storage
Lawn care and landscaping	Maintenance contracts
Exterminating	Employment placement
Automatic data processing	Motor vehicle towing

The above lists are not all-inclusive and provide only a basic knowledge of what items are subject to use tax. Depending on your business, various other purchases of tangible personal property and services may also be subject to use tax. Please see our industry specific use tax brochures for more information.

What are the use tax rates?

The use tax rates are generally the same as the sales tax rates.

How do I remit use tax directly to Ohio?

A business would need to register for a Consumer's Use Tax account to begin remitting use tax directly to Ohio. Businesses who meet certain requirements may also register for a Direct Payment Authority [see Information Release 2003-01, as revised 12/4/2004].

If I have unremitted use tax for past years, how can I resolve that liability?

The statute of limitations for unregistered businesses is 10 years. If your business is contacted by the Department to perform an audit, the audit period will generally include the last seven years. However, if you voluntarily approach the Department through our Voluntary Disclosure program, you can generally limit the look-back to the last three years. Please see the Department's website for details of our Voluntary Disclosure program.



**Department of
Taxation**

For more information on Use Tax visit our website at tax.ohio.gov

To register to pay the Use Tax, phone (888) 405-4089.

For general questions regarding Use Tax, phone (888)-405-4039.