



---

# HANDBOOK

**Ohio County Commissioners**

*Published by: County Commissioners Association of Ohio*

37 West Broad Street, Suite 650 • Columbus, Ohio 43215-4195

Phone: 614-221-5627 • Fax: 614-221-6986 • www.ccao.org

---

## CHAPTER 13

# STATE TAXES

**Latest Revision  
1994**

### 13.01 INTRODUCTION

Ohio relies on various taxes to support its governmental activities. Some of these taxes have transfer provisions which accrue to the benefit of local governments. Examples of these include the motor vehicle license tax and the taxes which support the three local government funds. As this chapter is being finalized, the Governor has recommended a permanent reduction in local government funds. The figures used in this chapter that specify specific percentages being distributed to these funds, thus may no longer be accurate. This chapter will briefly examine the primary taxes levied by the state, and will describe any transferability they may have to local governmental revenue.

### 13.02 SALES AND USE TAXES

The sales and use tax is levied at the rate of five percent on the sales and rental of tangible personal property and selected services. Major exemptions include food for consumption off premises; newspapers and magazines; motor fuel; utilities delivered through pipes, wires, or conduits; prescription drugs; property used directly in manufacturing, mining, or agriculture; trade-ins on new motor vehicles; and sales to the federal, state, and local governments.

The tax is collected by persons and retailers who must obtain a vendors license from the state or the county auditor. The tax is remitted by the collector who is allowed to retain .75 percent of the collections if the tax is returned by the due date. This is referred to as the "vendor's discount". The clerk of courts collects the use tax on motor vehicles and other property that requires a title and must remit the tax collected to the state each Monday for the tax collected during the previous week. For these services the clerk of court retains one percent of the collections. This retainage is referred to as "poundage" and is deposited in the county general fund.

County and transit authority permissive taxes are collected with the state sales and use tax, is remitted to the state, and is redistributed to the county or transit authority by the state. For

providing this service, the state retains one percent which is used for administration and audit functions. For more information on county and transit permissive sales and use taxes see chapter 16 of this handbook.

The state sales and use tax is the second single largest source of revenue for the state, following the personal income tax. Most of the revenue is deposited in the state general revenue fund, however, 4.6 percent of the tax is distributed to the local government fund and 0.70 percent to the local government revenue assistance fund. For additional information concerning the local government funds see chapter 19. Legislation authorizing these taxes is found in Chapters 5739 and 5741 of the Revised Code.

### **13.03 PERSONAL INCOME TAX**

Ohio's personal income tax is based on the federal income tax, plus or minus adjustments according to Ohio income tax law. For 1993, the tax is graduated from 0.74 for taxable income up to \$5,000 to 7.5 percent for taxable income over \$200,000. The personal income tax generates the single largest source of revenue for the state general fund, followed by the sales and use tax.

In addition, 4.6 percent of the proceeds are distributed to the local government fund, 0.70 percent to the local government revenue assistance fund, and 6.3 percent to the library and local government support fund (see chapter 19).

At least 50 percent of the income tax must be returned to the county of origin. This requirement is met primarily through allocations to education and property tax relief. Municipalities and school districts are authorized to levy additional income or payroll taxes (see chapter 15). For detailed information on the state income tax see Chapter 5747 of the Revised Code.

### **13.04 CORPORATE FRANCHISE TAX**

The corporate franchise tax is levied on all corporations, including railroads, unless exempted, using either a net worth or net income base. The corporation must pay by the method which yields the greater tax liability. The tax rates are as follows:

1. 5.82 mills on net worth.
2. 5.1 percent on the first \$50,000 of net income plus 8.9 percent on net income over \$50,000.
3. A minimum of \$50. The above rates do not apply to financial institutions, that pay 15 mills on net worth.

Two additional rates are used primarily by the Office of Litter Prevention and Recycling at the Department of Natural Resources. These funds benefit local litter and recycling projects. They do not affect financial institutions. The rates for this additional tax are:

1. For all corporations, except litter stream corporations, 0.14 mill on taxable value or 0.11 percent on first \$50,000 of net income plus 0.22 percent on income in excess of \$50,000 with a maximum of \$5,000.
2. For litter stream corporations, 0.28 mill on taxable value or 0.11 percent on the first \$50,000 of net income plus 0.44 percent on income in excess of \$50,000 with a maximum of \$10,000.

Of the receipts from this tax, 4.6 percent is distributed to the local government fund and 0.70 percent to the local government revenue assistance fund (see chapter 19). Corporate franchise tax law is found in Chapter 5733 of the Revised Code.

### **13.05 PUBLIC UTILITY EXCISE TAX**

Companies defined by Ohio law as public utilities are exempt from the corporate franchise tax; instead they pay a public utilities excise tax. Exemptions from this tax include municipally owned utilities; long distance telephone companies; gross receipts from interstate business; sales to other public utilities for resale; sale of merchandise; railroads, that recently became subject to the corporate franchise tax; business done with the federal government; and, the first \$25,000 of gross receipts. For most utilities the tax base is on gross receipts from intrastate business.

Rates of the tax vary from 4.75 to 6.75 percent, depending on the utility. Of the total receipts, 4.6 percent of the tax is distributed to the local government fund and 0.70 percent to the local government revenue assistance fund (see chapter 19). The balance goes to the state general revenue fund. Details concerning this tax may be found in Chapter 5727 of the Revised Code.

### **13.06 ESTATE TAX**

The estate tax is levied at rates ranging from 2.0 to 7.0 percent of the taxable value of the estate after certain exemptions and deductions are claimed. 64.0 percent of the gross taxes collected are returned to either the municipality or township of origin and the balance, less the cost of administration, goes to the state general revenue fund.

County auditors are appointed as agents of the State Tax Commissioner for purposes of administering the estate tax law. For performing this duty they receive additional compensation, from the state, not to exceed \$3,000 nor less than \$1,200 (ORC 5731.41). Estate tax law may be found in Chapter 5731 of the Revised Code.

### **13.07 MOTOR VEHICLE LICENSE TAX**

Motor vehicles must register and pay a tax. The rate for passenger cars is \$20, with various rates for other vehicles. Commercial trucks and tractors are taxed according to weight. Exemptions include federal, state, and local government owned vehicles; school buses; and vehicles registered in another state until the owner becomes an Ohio resident.

The highway bond retirement fund and the highway operating fund are allocated 42.6% of the revenue from commercial vehicles with gross weights of 26,000 pounds or more. This allocation to the state was the result of the repeal of the highway use or axle mile tax effective January 1,

1991. HB 831 provided for Ohio's entry into the International Registration Plan (IRP), an agreement among states for the registration of commercial vehicles. The monies now going to the state are to replace lost revenues from the former axle mile tax. After bond retirement obligations and administrative expenses are met, the remaining revenues are distributed to local governments (see chapter 30).

Counties, municipalities, and townships may collectively levy up to \$20 additional per vehicle (see chapter 16). Motor vehicle license tax law is found in Chapters 4501, 4503, and 4504 of the Revised Code.

### **13.08 HIGHWAY USE TAX**

This axle-mile tax was repealed on January 1, 1991 when Ohio entered into the International Registration Plan (IRP).

### **13.09 MOTOR VEHICLE FUEL TAX**

The motor vehicle fuel tax is actually five separate taxes that result in a total of 21 cents per gallon. The law also includes an indexing procedure that allows for automatic adjustments, and it is probable that the tax will increase to 22 cents in July, 1993.

Of the total revenue, .5 percent is allocated to the waterways safety fund. One cent of the total is distributed to the Local Transportation Improvement Program Fund (LTIP) which the Ohio Public Works Commission (OPWC) administers in conjunction with the Issue II infrastructure program for local road and bridge improvements (See chapter 31). The balance is distributed approximately 75 percent to state highway funds and the remainder to local governments (see chapter 30). Additional information on this tax is found in Chapter 5735 of the Revised Code.

### **13.10 SEVERANCE TAX**

Firms which extract certain natural resources from the soils or water of Ohio must pay the following severance tax:

Coal	9 cents per ton
Salt	4 cents per ton
Limestone or Dolomite	2 cents per ton
Sand or Gravel	2 cents per ton
Oil	2 cents per barrel
Natural gas	2.5 cents per 1,000 cubic feet
Clay, Sandstone, Shale Conglomerate, Gypsum, or Shale	1 cent per ton

The severance tax is allocated to the Oil and Gas Well Plugging Fund, the Oil and Gas Permit Fund, the Unreclaimed Lands Fund, the Coal Mining Administration and Reclamation Reserve Fund, the Reclamation Supplemental Forfeiture Fund, the Defaulted Areas Fund, and the Geological Mapping Fund. Severance tax law is found in Chapter 5749 of the Revised Code.

### **13.11 ALCOHOLIC BEVERAGE TAX**

Ohio collects significant taxes on beer, wine, mixed beverages, and liquor. The receipts are deposited into the state General Revenue Fund, except that 3 cents per gallon of wine goes to the Ohio Grape Industries Special Account to be used to help the grape industry. Counties may levy an additional alcoholic beverage tax to be used for the construction of a sports facility (see chapter 16). Alcoholic beverage tax law is found in Chapters 924, 4301, 4303, 4305, 4307, and 4309 of the Revised Code.

### **13.12 CARBONATED BEVERAGE AND NON-ALCOHOLIC BEER**

All carbonated beverages are subject to an excise tax of one cent per 12 ounces of the beverage. This is in addition to the sales tax that is charged on such beverages. All revenues go to the state General Revenue Fund. This relatively new tax is being challenged in court on constitutional grounds as this chapter is being finalized.

### **13.13 CIGARETTE TAX**

Ohio levies a tax of 1.2 cents per cigarette (24 cents per pack of 20 cigarettes). Of the total revenue received, 1.15 cents per cigarette goes to the state General Revenue Fund and 0.05 cent per cigarette to special bond retirement funds. Counties may levy additional cigarette taxes for the construction of a sports facility (see chapter 16). Cigarette tax law is found in Chapter 5743 of the Revised Code.

In addition, other tobacco products including cigars, pipe tobacco, chewing tobacco and snuff are taxed at the rate of 17 percent of wholesale price. All receipts benefit the state General Revenue Fund.

### **13.14 HORSE RACING TAX**

A tax is levied on the amount bet each day at Ohio's race tracks. The rate varies from 1.0 to 5.125 percent, depending upon the dollars wagered each day. A portion of the funds derived go to the state General Revenue Fund with the remainder going to horse development and fair funds.

Municipal corporations and townships receive "impact funds" meant to reimburse them for expenses incurred as a result of race meets. If wagering is less than \$5 million for the meet the government will receive 0.1 percent of all wagers. If the wagering is greater than \$5 million the municipality or township is entitled to 0.15 percent, not to exceed \$15,000. Horse racing law is found in Chapter 3769 of the Revised Code.

### **13.15 INSURANCE COMPANY TAXES**

Ohio collects taxes from insurance companies based upon capital and surplus or premiums. The income is allocated to the state General Revenue Fund and the fire marshal's fund. Insurance tax information is found in Chapters 5725 and 5729 of the Revised Code.

### **13.16 DEALERS IN INTANGIBLES TAX**

In Ohio there is an eight mill (0.8%) tax on shares in or capital employed by dealers in intangibles. United States government securities are excluded from the tax, as are shares owned by financial

institutions, domestic insurance companies, and institutions used exclusively for charitable purposes.

Three mills of the tax is credited to the state general revenue fund, and five mills is distributed directly to the county undivided local government fund where the firm's capital was employed (see handbook section 19.08). Details concerning the dealers in intangibles tax may be found in Chapter 5725 and Sections 5707.03 and 5709.04 of the Revised Code.