



HANDBOOK

Ohio County Commissioners

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CHAPTER 16

MUNICIPAL, TOWNSHIP AND SCHOOL PERMISSIVE TAXES

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16.01 INTRODUCTION

Municipalities, townships, and school districts have a variety of taxes which they may permissively enact. Some of these may be enacted legislatively, while others must be voted upon. This Chapter will generally discuss the most important permissive taxes.

16.02 MUNICIPAL INCOME TAXES

Many cities and villages use the income tax as a major source of revenue. The income tax is levied upon:

1. Wages, salaries, and other compensation earned by residents.
2. Wages and salaries received by non-residents for work performed within the municipality.
3. Business income that results from activities within a municipality.

State law requires a flat rate within a community. The tax can be imposed at up to a one percent rate legislatively, but rates which exceed that must be voted upon. Income

taxes which are voted upon give the municipality a greater "relative need" when distributing the state local government fund (see Chapter 23).

Certain income is exempted from the income tax, such as military pay; income of religious, charitable, or educational institutions to the extent derived from tax-exempt property or activities; net profit from public utilities, except long distance telephone companies; and interest and dividends. Income tax collections are placed in the general fund, although they may be earmarked for capital improvements, bond retirement, and administration of the tax.

It has been found that a taxpayer who works in one municipality and resides in another may be subjected to the income tax levied by each, since the taxpayer chose to accept benefits from each municipality (O Jur 3d: Tax § 323). Many municipalities, however, have adopted legislation whereby residents are given partial or full credit for taxes paid to the municipality where they work.

In addition, some municipalities have entered into agreements under which one city acts as a central collection agent and distributes the taxes collected to the municipalities entitled to them. For example, in the Cleveland area, income taxes are centrally collected and then distributed to the municipalities entitled to them. This is accomplished through each municipality enacting reciprocal legislation (O Jur 3d: Tax § 336). Further information on this tax may be found in ORC Chapter 718.

16.03 LODGING TAX

Under the law effective in 1967, municipalities and townships are permitted to impose a lodging tax not to exceed three percent. These funds may be used for any municipal purpose.

Under a law effective in 1980, municipalities and townships are permitted to levy an additional lodging tax not to exceed three percent if the county has not enacted a lodging tax. Any municipality or township which enacts this additional lodging tax, however, must contribute at least 50 percent of the receipts to convention and visitors' bureaus operating within the county.

For additional information refer to Chapter 21 of this *Handbook*. Table 21-1 also shows the various lodging tax authorities of counties, townships, and municipalities and their interrelationships.

16.04 ADMISSIONS TAX

A number of municipalities levy an admission tax on movie theaters or other activities where there is an admission charge. These rates vary among municipalities, however, most do not exceed three percent.

16.05 SCHOOL DISTRICT INCOME TAX

During 1981, school districts were given the authority to enact school district income taxes. The districts could impose a tax at a rate consisting of multiples of .25 percent on Ohio taxable income of residents. Such taxes had to be approved by a vote of the residents of the school district. In 1983 certain provisions of the law were repealed so that no additional school districts could enact the tax. Only six school districts approved the tax prior to its repeal.

In 1989 the General Assembly reinstated provisions of the law allowing additional school districts to levy the tax. Under provisions of the reinstated law, equivalent property tax millage of income tax collections can be used toward the 20 mill eligibility for state aid. The tax can be levied for a finite or a continuing period of time. The base for the tax is the amount reported as Ohio adjusted income less the \$650 personal exemptions.

Through 1991 seventy-one school districts had enacted the income tax at rates ranging from one-half to one and one-half percent. School income tax rates may be any amount the district voters are willing to approve, as long as they are in increments of .25%. School income tax law is found in ORC Chapter 5748.

16.06 MOTOR VEHICLE LICENSE TAX

Municipalities may levy a five dollar license plate tax under 1967 law if the county has not implemented it. A 1987 law permitted municipalities to enact two additional five dollar taxes, again if the county had not done so. Townships and municipalities may levy an additional five dollars, regardless of any action by the county.

The maximum additional levy over the \$20 statewide fee in any county is \$20 if all authorities are implemented by the county, municipality or township. Detailed information and references on this tax are found in Chapter 20. Table 20-1 shows in detail the permissive motor vehicle license tax authorities for counties, townships and municipalities.