

TAX EXPENDITURE REPORT

The State of Ohio Executive Budget
for Fiscal Years 2024-2025



Governor Mike DeWine

Ohio Department of Taxation

Interim Tax Commissioner Sarah O'Leary



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Taxation**

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January 25, 2023

Governor Mike DeWine
Riffe Center, 30th Floor
77 South High Street
Columbus, Ohio 43215

Dear Governor DeWine,

It is my pleasure to present Ohio's Tax Expenditure Report for the Governor's Executive Budget for the ensuing fiscal biennium, a responsibility required of the Tax Commissioner by Sections 107.03 and 5703.48 of the Ohio Revised Code.

This report describes 154 state tax expenditures allowed under current law including a description of each tax expenditure, a detailed estimate of the amount of revenues not available to the general revenue fund under existing laws during each fiscal year of the biennium covered by the budget due to the operation of each tax expenditure, and, in comparative form, the amount of revenue not available to the general revenue fund during each fiscal year of the immediately preceding biennium due to the operation of each tax expenditure.

The report is not intended to and does not evaluate the merits of these tax expenditures. Nonetheless, it is intended to serve as an important resource for those entrusted to make decisions about Ohio's state budget for the ensuing fiscal biennium.

Sincerely,

A handwritten signature in black ink that reads "Sarah O'Leary". The signature is written in a cursive, flowing style.

Sarah E. O'Leary,
Interim Tax Commissioner

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PREPARED BY:

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Ohio Department of Taxation

State of Ohio Tax Expenditure Report

Section 5703.48 of the Ohio Revised Code (R.C.), enacted in 1987, requires the Department of Taxation to prepare and submit a tax expenditure report to the governor in each even-numbered year. R.C. 107.03(D)(6) requires the governor to submit the report to the Ohio General Assembly as an appendix to the Governor’s biennial budget. The report provides a description of each tax expenditure under existing law and a detailed estimate of the approximate amount of revenue not available (or “revenue foregone”) to the General Revenue Fund (GRF) in each fiscal year of the current and ensuing fiscal biennia because of the operation of each tax expenditure.

R.C. 5703.48 defines a “tax expenditure” to mean “a tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes levied by the state, including, but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates, provided” certain statutory criteria that apply to the provision. Academic literature has described tax expenditures as “special preferences” that are “departures from the normal tax structure and are designed to favor a particular industry, activity, or class of persons” and that “essentially represent government spending for the favored activities or groups made through the tax system rather than through direct grants, loans, or other forms of government assistance.”¹ Unlike direct budgetary expenditures, unless there is a pre-existing termination date, tax expenditures may remain in law indefinitely.

An important purpose of this report is to inform the executive and legislative branches during the state budgetary process of revenue foregone to the GRF because of tax expenditures. This report provides an estimate of the dollar value of each tax expenditure, but it makes no statement on the expenditure’s appropriateness or merit.

In this edition, estimated revenue foregone to the GRF is provided for the following two fiscal year (FY) biennial budget periods: FY 2022-2023 and FY 2024-2025. This edition includes 154 different state tax expenditures and provides the legal citation(s), year of enactment, and year(s) of major alterations (if any), and a brief description of each tax expenditure.²

The Tax Expenditure Concept

Since the tax expenditure concept was first articulated in 1967 by Stanley S. Surrey (Assistant Secretary for Tax Policy, U.S. Department of the Treasury), the executive and legislative branches of the U.S. government, most state governments, and many foreign governments have issued their own versions of a tax expenditure report. In its broadest outline, the tax expenditure concept is uniform and constant: A tax expenditure represents a legislated variation from – more commonly,

¹ Stanley S. Surrey & Paul R. McDaniel, *The Tax Expenditure Concept, and the Budget Reform Act of 1974*, 17 Boston College Industrial and Commercial Law Review 679, 680 (1976).

² Tax expenditures having an estimated annual revenue impact of below \$1 million are noted as minimal.

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a reduction to – a standardized tax base. Beyond this broad conceptualization, however, varying ideas about what constitutes a tax expenditure have led to differing approaches for identifying them.

At the federal level, the Joint Committee on Taxation (JCT) of the U.S. Congress is vested with the privilege of publishing a report on federal tax expenditures for the House Committee on Ways & Means and the Senate Committee on Finance.³ According to the JCT:

*Tax expenditure analysis can help both policymakers and the public to understand the actual size of government, the uses to which government resources are put, and the tax and economic policy consequences that follow from the implicit or explicit choices made in fashioning legislation.*⁴

The JCT consults with the Office of Tax Analysis in the U.S. Department of the Treasury to produce the report.⁵ The JCT's first report was prepared in 1972 covering FFY 1967-1971, and subsequent reports cover every five-year period since FFY 1977-1981.⁶

The vast majority of states and the District of Columbia produce a tax expenditure report in some form.⁷ There is variation among the states on what is considered a tax expenditure (and by extension, implied “baseline” tax structures).⁸ Ultimately, the variation stems from a fundamental ambiguity in the tax expenditure analysis: The lack of universally applicable and accepted definition of “tax expenditure” sufficiently robust in meaning for it to be used by all jurisdictions and for all taxes. As a result, each reporting agency applies an operating definition of “tax expenditure” with analytical utility for that agency and its administration, as well as legislative policymakers and the wider policy audience within that jurisdiction.⁹

³ The complete collection of JCT tax expenditure reports is available at https://www.jct.gov/publications/?it=content&category_name=Tax%20Expenditures. For an international perspective, the Organisation for Economic Co-operation and Development (OECD) has studied the use of tax expenditures internationally, including the United States. Organisation for Economic Co-operation and Development, *Tax Expenditures in OECD Countries* (2010).

⁴ Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2019-2023* (JCX-55-19), December 18, 2019, at 1.

⁵ *Id.*

⁶ *Id.* at 1.

⁷ Institute on Taxation and Economic Policy, available at <https://itep.org/state-by-state-tax-expenditure-reports/>.

⁸ E.g., Jason Levitis, Nicholas Johnson & Jeremy Koulsih, *State Budget Accountability Through Tax Expenditure Reports*, State Tax Notes, May 27, 2009, at 655.

⁹ Some agencies work under a statutorily prescribed definition of “tax expenditure.” Even though these agencies comply with the statutory definition in good faith and to the maximum extent possible, there is no statutory definition with sufficient nuance and logic to guide all determinations. The agencies must develop an operating definition of tax expenditure and use reasonable judgement to determine the items that fit the definition.

Tax Expenditures in This Report

R.C. 5703.48 defines “tax expenditure” for purposes of this report. A “tax expenditure” means “a tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes levied by the state, including but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates” provided certain statutory criteria are met.

Listed below are the statutory criteria used to determine whether a tax provision constitutes a tax expenditure for this report. All four criteria must be true for the item to be considered as such:

1. The provision reduces, or has the potential to reduce, revenue to the GRF.

By law, the Tax Expenditure Report includes only taxes the revenue from which are allocated in whole or in part to the GRF. Therefore, locally levied taxes are excluded from this report. Also excluded are certain state taxes the revenues from which are not allocated to the GRF (such as the motor fuel tax, horse racing tax, and the severance tax).

2. The persons, income, goods, services, or property exempted by the provision would have been part of a defined tax base.

For a provision to be a tax expenditure, it specifically must exempt from taxation a person or activity that otherwise would have been part of the tax base. There are some items specifically exempt by the Ohio Revised Code that are not considered to be part of the tax base. These items are not included as a tax expenditure in this report. For example, services, unless specifically enumerated, are not part of Ohio’s sales and use tax base. Therefore, this report does not list the numerous services that are not part of the sales and use tax base. Other examples include the sales tax “resale” exemption (discussion in the Sales & Use Tax section of this report) and the commercial activity tax exclusion for non-profit entities.

3. The persons, income, goods, services, or property exempted by the provision are not subject to an alternate tax levied by the state.

Persons or activities subject to alternative taxes are not considered tax expenditures in this report. For example, insurance companies are excluded from the commercial activity tax under the Ohio Revised Code, but this exclusion is not considered a tax expenditure since insurance companies are taxed under the insurance premium taxes.

4. The provision is subject to modification or repeal by an act of the General Assembly.

The provision must take the form of an exemption, deduction, credit, etc., existing in the Ohio Revised Code. Anything that can be changed only by a state constitutional amendment, federal law change, or federal constitutional amendment is not considered a tax expenditure in this report. For example, Article XII, Section 3 of the Ohio Constitution prohibits the levy of collection of any excise tax upon the sale or purchase of food for human consumption off the premises where sold. Therefore, the R.C. 5739.02(B)(2) sales and use tax exemption for the sale or purchase of food for human consumption off the premises where sold is not considered a tax expenditure in this report.

Tax expenditures are organized in this report by tax types. Although revenue from the natural gas excise tax is distributed to the GRF, there are no tax expenditures related to it. Some tax expenditures apply to more than one tax. In most of these instances, the effects are combined and reported under a single tax so as not to be repetitive.¹⁰

Interpretation of Tax Expenditures

Tax policy experts have identified nuanced ways to evaluate tax expenditures.¹¹ Tax expenditures provide an explicit accounting of deviations from a baseline tax structure. Users of a tax expenditure report can identify deviations from a baseline, who benefits, and the relative fiscal magnitudes. The report may serve as a foundation for further analysis on whether, and to what degree, a tax expenditure violates principles of good tax policy (e.g., efficiency, fairness, simplicity, and uniformity). To one degree or another, tax expenditures might reduce economic efficiency, heighten tax complexity, or treat people with the same ability to pay in a disparate or inequitable manner.

Tax expenditures are often viewed as an appropriate mechanism for spending government resources. Under this viewpoint, the tax system can serve as an instrument for reallocating resources or otherwise addressing economic inefficiencies. Thus, the tax expenditure report identifies the specific circumstances under which policymakers have chosen to allocate state resources through the tax code to address a perceived societal need or want fully or partially. According to this conceptualization, then the

¹⁰ Example: The Job Creation Tax Credit is shown in the commercial activity tax (CAT) section, though the credit may be claimed against not only the CAT, but also the petroleum activity tax, insurance premium taxes, financial institutions tax, and the individual income tax. The estimate displayed in the report reflects the total of all applicable taxes.

¹¹ *E.g.*, Eric J. Toder, Address at the National Tax Association Annual Conference (November 19, 2005), available at <https://www.urban.org/sites/default/files/publication/50941/411371-Tax-Expenditures-and-Tax-Reform.PDF>.

question is whether the “spending” is appropriate and not necessarily whether it violates a tax policy principle.

Quantifying Tax Expenditures

In accordance with R.C. 5703.48, the FY 2024-2025 Biennial Tax Expenditure Report identifies the estimated revenue that is foregone, or “spent”, by the GRF because of the existence of a tax expenditure under current law. The estimates reflect the amount of financial benefit provided to recipients, adjusted to reflect the GRF’s share of the tax expenditure. No further adjustments are made to the estimates, except where another tax expenditure is also available to the taxpayer for the same item or activity (“overlap”).

There are other methods to quantify tax expenditures including estimating revenues that would be gained if the tax expenditure were repealed. The tax expenditures in this report are not quantified using methods other than “revenue foregone.” Estimates produced under a “revenue gain from repeal” concept encompass an extensive array of (primarily downward) adjustments. An example would be an adjustment regarding the effective date of a repeal as there may be important cash-flow consequences associated with the effective date of a repeal. Another potentially significant adjustment involves taxpayer behavioral responses to the repealed tax expenditure. Economic activity would likely be affected to varying degrees as tax is newly applied to the previously tax-exempt item or activity. Furthermore, one may expect short-term compliance difficulties with the newly taxed item or activity.

To summarize, the figures in this report do not represent the estimated revenue gain from repeal of each tax expenditure. Instead, the figures reflect reasonable estimates (rounded to the nearest \$100,000 for estimates of \$1 million or more) of the tax benefits realized by recipients of the tax expenditure’s benefits – what has been referred to as the “revenue foregone.” Additionally, while this report provides totals summing the tax expenditures by tax type and in total, the totals do not represent the revenues that would be gained by the GRF from repealing all the tax expenditures simultaneously.

Data Sources for Tax Expenditure Estimates

The accuracy of the estimates varies with the source of data and applicability of the data to the tax expenditure provision. In some instances, the Ohio Department of Taxation (ODT) must rely on external sources that may not be as reliable or accurate as internal data that is relied upon to estimate the revenue foregone from other tax expenditures. A data reference code has been provided to identify the source for individual tax expenditures as follows:

Data Source Code (A):

Data emanating from tax returns

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filed with ODT as well as other information generated by the Department.

Data Source Code (B):

Data produced by government agencies other than ODT such as other State of Ohio agencies, the federal government (e.g., Internal Revenue Service, U.S. Census Bureau, and others), other state governments, and Ohio local governments.

Data Source Code (C):

All other data sources, including (but not limited to) information from business information service providers, academic research, and non-profit research organizations.

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code	
	FY 2022	FY 2023	FY 2024	FY 2025		
<u>Sales & Use Tax</u>						
Exempt entities						
1.01	Sales to churches and certain other types of non-profit organizations	\$645.4	\$687.2	\$735.9	\$786.7	B, C
1.02	Sales to the state, its subdivisions & certain other states	\$157.0	\$160.1	\$161.8	\$163.7	B, C
1.03	Sales by churches and certain types of non-profit organizations	\$58.5	\$61.3	\$64.1	\$66.9	B, C
Exemption for property and services used or consumed to produce a product						
1.04	Property used primarily in manufacturing	\$2,110.3	\$2,272.0	\$2,422.6	\$2,489.4	B, C
1.05	Packaging and packaging equipment	\$275.7	\$290.6	\$301.0	\$332.4	B, C
1.06	Sales of TPP and services to electricity providers	\$328.5	\$338.1	\$331.0	\$335.9	A, B
1.07	TPP used in agriculture	\$316.4	\$318.1	\$320.0	\$322.3	B
1.08	TPP used in mining	\$86.8	\$99.6	\$110.2	\$117.1	B, C
1.09	Agricultural land tile and portable grain bins	\$1.6	\$1.6	\$1.6	\$1.6	A, B
1.10	TPP used to produce printed materials	\$7.8	\$7.6	\$7.5	\$21.8	B, C
1.11	Items used in storing, preparing, and serving food	\$45.9	\$52.9	\$58.3	\$61.5	B, C
1.12	Property used in preparing eggs for sale	\$2.2	\$2.2	\$2.3	\$2.4	B
Exemption based on specified use of property or service						
1.13	Building and const materials used in certain structures	\$288.2	\$325.2	\$360.6	\$382.2	B, C
1.14	TPP used directly in providing public utility services	\$122.7	\$124.8	\$124.1	\$123.9	A, B, C
1.15	Property used to fulfill a warranty or service contract	\$44.8	\$45.7	\$47.0	\$48.4	B, C
1.16	Motor vehicles sold in Ohio for use outside the state	\$114.7	\$118.4	\$118.0	\$121.3	A, B
1.17	TPP used in research and development	\$48.4	\$52.4	\$54.2	\$56.1	B, C
1.18	TPP and services used in providing telecommunications services	\$125.2	\$129.5	\$134.0	\$138.6	A, B
1.19	Qualified TPP used in making retail sales	\$47.8	\$47.0	\$48.1	\$49.7	B, C
1.20	Property used in highway transportation for hire	\$53.9	\$56.1	\$58.6	\$59.5	B, C
1.21	Qualified call center exemption	\$14.1	\$14.2	\$14.3	\$14.5	B, C
1.22	Copyrighted motion pictures and films	\$4.5	\$7.0	\$8.5	\$8.6	B, C

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code	
	FY 2022	FY 2023	FY 2024	FY 2025		
<u>Sales & Use Tax --continued</u>						
1.23	Equipment used in distribution warehouses	\$5.5	\$6.1	\$6.5	\$6.9	B
1.24	Drugs distributed to physicians as free samples	\$35.1	\$36.7	\$39.0	\$42.1	B, C
1.25	Property used in air, noise, or water pollution control	\$15.8	\$16.2	\$16.6	\$16.9	A, B
1.26	Tangible personal property used in electronic publishing	\$20.3	\$22.8	\$25.6	\$28.8	B
1.27	25 percent refund for TPP used by electronic information service providers	\$3.5	\$3.7	\$3.9	\$4.2	A, C
1.28	Sales of tangible personal property to a megaproject operator for use in certain circumstances at the site of a semiconductor wafer manufacturing megaproject	\$0.0	\$76.7	\$86.2	\$64.1	B, C
Exempt products and services						
1.29	Prescription drugs and selected medical supplies	\$480.4	\$496.0	\$514.1	\$533.7	B
1.30	Transportation of persons and property	\$305.0	\$331.3	\$351.1	\$371.3	A, B, C
1.31	Newspapers	\$21.8	\$21.8	\$21.8	\$21.8	B, C
1.32	Artificial limbs, prostheses, and other medical equipment	\$71.3	\$74.1	\$77.4	\$81.3	B
1.33	Qualified used manufactured and mobile homes	\$5.7	\$5.8	\$5.9	\$6.0	B, C
1.34	Aviation repair and maintenance services and parts	\$13.7	\$15.0	\$15.7	\$16.0	A, B
1.35	Exempt flight simulators	\$1.0	\$1.0	\$1.0	\$1.0	B, C
1.36	Sales of natural gas by a municipal utility	\$1.6	\$1.6	\$1.7	\$1.7	B, C
1.37	Investment bullion and coins	\$3.8	\$5.9	\$6.1	\$6.2	A, B, C
1.38	Motor vehicle rental if payment reimbursed under warranty	\$2.0	\$2.0	\$2.1	\$2.2	C
1.39	Feminine hygiene products	\$8.8	\$9.0	\$9.2	\$9.4	B, C
1.40	Exemption for diapers or incontinence underpads pursuant to a prescription for benefit of a Medicaid recipient with diagnosis of incontinence	Minimal	Minimal	\$1.0	\$1.0	B, C
Miscellaneous						
1.41	Value of motor vehicle trade-ins	\$319.9	\$334.4	\$336.2	\$336.9	B, C
1.42	Discount for vendors	\$58.9	\$60.3	\$63.3	\$68.0	A
1.43	Food sold to students on school premises	\$26.9	\$28.5	\$29.3	\$29.0	B, C
1.44	Value of watercraft trade-ins	\$2.6	\$2.7	\$2.8	\$3.0	C
1.45	Sales of cable, video and audio/audiovisual works bought or sold by cable or video service providers	\$10.3	\$10.0	\$9.8	\$9.5	B, C
1.46	\$800 tax cap on qualified fractionally owned aircraft	\$10.9	\$10.6	\$10.4	\$10.1	A, B, C

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code	
	FY 2022	FY 2023	FY 2024	FY 2025		
<u>Sales & Use Tax --continued</u>						
1.47	Ships and rail rolling stock used in interstate commerce	\$5.7	\$5.5	\$5.4	\$5.6	A, B, C
1.48	Sales of qualified property used in an eligible computer data center	\$117.6	\$119.3	\$122.9	\$127.4	A, B, C
1.49	Sales of computers and computer equip to certified teachers	\$1.0	\$1.0	\$1.0	\$1.0	B, C
1.50	Three-day sales tax holiday for specified clothing, school supplies and school instructional material	\$20.4	\$20.8	\$21.0	\$21.2	B, C
1.51	Sales of a digital audio work electronically delivered through use of a machine, such as a jukebox	\$4.2	\$4.3	\$4.5	\$4.7	B, C
Tax expenditures with revenue impact below \$1 million						
1.52	Sales to veterans' headquarters	Minimal	Minimal	Minimal	Minimal	C
1.53	Sales of animals by non-profit animal shelters	Minimal	Minimal	Minimal	Minimal	B, C
1.54	Agricultural "use on use" property	Minimal	Minimal	Minimal	Minimal	B
1.55	TPP used or consumed in commercial fishing	Minimal	Minimal	Minimal	Minimal	B
1.56	Property for use in a retail business outside Ohio	Minimal	Minimal	Minimal	Minimal	B, C
1.57	TPP/services to maintain/repair fractionally owned aircraft	Minimal	Minimal	Minimal	Minimal	A, B
1.58	Bulk water for residential use	Minimal	Minimal	Minimal	Minimal	A, B, C
1.59	Emergency and fire protection vehicles and equipment	Minimal	Minimal	Minimal	Minimal	B, C
1.60	Controlled circulation magazines	Minimal	Minimal	Minimal	Minimal	C
1.61	Sales to qualifying non-profit corporations	Minimal	Minimal	Minimal	Minimal	B, C
1.62	Use tax exemption for equipment stored, used, consumed by an out-of-state disaster business for disaster response work	Minimal	Minimal	Minimal	Minimal	B, C
1.63	Exemption for exports that are delivered into Ohio for temporary storage, packaging, or consolidation before shipment to a foreign citizen	Minimal	Minimal	Minimal	Minimal	A, C
1.64	Exemption for motor fuel used for powering refrigeration units on vehicles other than units that provide comfort for the operator or occupants	Minimal	Minimal	Minimal	Minimal	A, C
Total Sales and Use Tax		\$6,474.1	\$6,934.7	\$7,275.2	\$7,535.5	

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code
	FY 2022	FY 2023	FY 2024	FY 2025	
<u>Individual Income Tax</u>					
Exemptions, exclusions, and deductions					
2.01 Personal, spousal, and dependent exemption	\$506.1	\$501.5	\$526.6	\$557.2	A, B
2.02 Social security and railroad retirement benefits	\$385.5	\$406.8	\$420.7	\$433.7	A,B
2.03 Deduction for taxpayers not eligible for employer sponsored medical plan	\$51.0	\$53.6	\$56.4	\$59.3	B, C
2.04 Exemption for disability income	\$8.8	\$9.1	\$9.4	\$10.5	A, B
2.05 Exemption for survivor benefit income	\$14.7	\$13.7	\$12.4	\$12.1	A, B
2.06 Exemption for active-duty military income	\$22.9	\$24.4	\$25.8	\$27.1	A
2.07 Deduction for excess medical expenses	\$5.5	\$7.4	\$9.1	\$11.0	A, B
2.08 Exemption for pre-1972 trusts	\$5.0	\$5.2	\$5.4	\$5.7	A,C
2.09 Deduction for long-term care insurance premiums	\$18.2	\$18.5	\$18.8	\$19.1	C
2.10 Deduction for contributions to educational variable savings programs	\$19.6	\$19.7	\$20.3	\$20.8	A
2.11 Exemption for uniformed services retirement income	\$30.6	\$32.2	\$33.3	\$34.4	A, B
2.12 Ohio business income deduction	\$726.1	\$744.3	\$764.7	\$795.1	A, B
2.13 Medical savings accounts	\$1.4	\$1.4	\$1.5	\$1.6	A
Non-business tax credits					
2.14 Joint filer credit	\$203.7	\$212.1	\$220.0	\$226.7	A, B
2.15 \$20 personal exemption credit	\$6.3	\$5.1	\$3.9	\$3.2	A, B
2.16 Retirement income credit	\$79.0	\$79.0	\$79.0	\$79.0	A
2.17 Resident credit for income taxed by another state	\$148.2	\$156.1	\$160.2	\$163.7	A
2.18 \$50 senior citizen credit	\$21.2	\$21.6	\$22.1	\$22.7	A, C
2.19 Dependent care credit	\$1.7	\$1.9	\$2.0	\$2.2	A, B
2.20 Campaign contribution credit	\$2.3	\$2.5	\$2.2	\$2.4	A
2.21 Credit for adoption related expenses	\$4.2	\$4.8	\$5.5	\$6.1	A, B
2.22 State Earned Income tax credit	\$69.5	\$66.6	\$67.1	\$67.5	A, B
2.23 Lead Abatement tax credit	Minimal	Minimal	\$1.7	\$3.2	A
2.24 Home Instruction tax credit	\$2.9	\$3.0	\$3.1	\$3.3	B
2.25 Donations to Scholarship Organizations	\$50.5	\$50.5	\$50.5	\$50.5	B, C
2.26 Credit for dependents who attend non-chartered non-public schools	\$4.3	\$4.3	\$4.3	\$4.3	A, B, C
Business tax credits					
2.27 Historic structure rehabilitation credit	\$57.9	\$104.7	\$104.7	\$52.4	A, B
2.28 Eligible productions tax credit	\$12.8	\$18.8	\$23.6	\$28.5	A
2.29 Small business investment credit	\$2.6	\$2.4	\$2.5	\$2.8	A
2.30 Opportunity Zone tax credit	\$10.2	\$17.2	\$43.2	\$39.4	A, B

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code	
	FY 2022	FY 2023	FY 2024	FY 2025		
<u>Individual Income Tax --continued</u>						
2.31	15% credit for wages paid to an employee participating in a career technical training program	\$2.4	\$2.4	\$2.4	\$2.4	B, C
2.32	Beginning farmer management credit	N/A	\$0.0	Minimal	\$1.2	B
2.33	Credit for sale or rental of agricultural assets to a beginning farmer	N/A	\$0.0	\$1.8	\$2.7	B
Tax expenditures with revenue impact below \$1 million						
2.34	Lump sum distribution credit	Minimal	Minimal	Minimal	Minimal	A
2.35	Deduction for organ donation expenses	Minimal	Minimal	Minimal	Minimal	A
2.36	Enterprise zone day care/training credit	Minimal	Minimal	Minimal	Minimal	A
2.37	Enterprise zone employee credit	Minimal	Minimal	Minimal	Minimal	A
2.38	Grape production credit	Minimal	Minimal	Minimal	Minimal	A
2.39	Contributions to another person's Individual Development Account	Minimal	Minimal	Minimal	Minimal	A
2.40	Deduction for Pell grant or Ohio College Opportunity grant proceeds	Minimal	Minimal	Minimal	Minimal	A
2.41	Deduction for ABLE Account contributions	Minimal	Minimal	Minimal	Minimal	A
2.42	Lump sum retirement income credit	Minimal	Minimal	Minimal	Minimal	A
2.43	Deduction for health insurance coverage for qualifying adult children and other dependents	Minimal	Minimal	Minimal	Minimal	A
2.44	Deduction for qualified disaster relief work	Minimal	Minimal	Minimal	Minimal	A
2.45	Deduction for certain disability severance payments for honorably discharged veterans	Minimal	Minimal	Minimal	Minimal	A, B
2.46	Deduction for qualifying educators' out-of-pocket expenses for professional development and classroom supplies	Minimal	Minimal	Minimal	Minimal	A
2.47	Displaced worker job training credit	Minimal	Minimal	Minimal	Minimal	A
Total Income Tax		\$2,475.1	\$2,590.8	\$2,704.2	\$2,751.8	
<u>Financial Institutions Tax</u>						
3.01	New markets tax credit	\$8.8	\$8.9	\$8.9	\$8.9	A, B
3.02	Credit for venture capital loan loss	\$9.7	\$9.7	\$9.7	\$9.7	A, B
3.03	De novo bank tax exemption	Minimal	Minimal	Minimal	Minimal	A
Total Financial Institutions Tax		\$18.5	\$18.6	\$18.6	\$18.6	

FY 2024-2025 TAX EXPENDITURE ESTIMATES

		General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code
		FY 2022	FY 2023	FY 2024	FY 2025	
<u>Commercial Activity Tax</u>						
Exclusions and deductions						
4.01	Exclusion of first \$1 million of taxable gross receipts	\$240.5	\$246.5	\$251.5	\$256.4	A
4.02	Qualifying distribution center receipts	\$226.7	\$248.1	\$264.2	\$281.0	A
4.03	State & federal cigarette excise tax exclusion	\$3.5	\$3.5	\$3.4	\$3.4	A, B
4.04	Exclude real estate brokerage fees	\$2.7	\$2.9	\$2.9	\$3.0	C
4.05	State & federal alcoholic beverage tax exclusion	\$1.2	\$1.4	\$1.5	\$1.6	A, B, C
4.06	Exclusion for professional employer organizations	\$19.3	\$21.1	\$22.9	\$24.9	B, C
4.07	Motor vehicle transfer exclusion	\$1.2	\$1.2	\$1.2	\$1.3	A, B
4.08	Exclusion of certain services to financial institutions	Minimal	Minimal	Minimal	\$1.0	B
4.09	Exclusion for agricultural commodity handlers	\$3.8	\$3.2	\$3.1	\$3.0	B, C
4.10	Qualified Supply Chain receipts	\$3.2	\$3.3	\$3.4	\$3.6	A, B, C
4.11	Exclusion for sales of certain new capital equipment for semiconductor megaprojects	\$0.0	\$0.0	Minimal	\$14.8	C
4.12	Exclusion for mortgage-backed securities	\$4.2	\$4.7	\$5.1	\$5.7	A, B
Tax credits						
4.13	Credit for increased research and development	\$52.1	\$55.5	\$58.9	\$62.4	A, B
4.14	Job creation credit	\$96.3	\$104.0	\$110.7	\$116.6	A, B, C
4.15	Job retention tax credit	\$28.8	\$31.1	\$33.1	\$34.9	A, B, C
4.16	Credit for net operating losses	\$12.3	\$16.8	\$17.4	\$18.0	A, C
4.17	Research and development loan program credit	Minimal	\$1.5	\$1.5	\$1.5	A
Tax expenditures with revenue impact below \$1 million						
4.18	Differential of PAT-CAT tax on dyed diesel for railroads	Minimal	Minimal	Minimal	Minimal	A, B, C
4.19	Trusts created before 1-1-72	Minimal	Minimal	Minimal	Minimal	A
4.20	Horse racing taxes and purse exclusion	Minimal	Minimal	Minimal	Minimal	A, B
4.21	Exclusion for uranium enrichment facilities	Minimal	Minimal	Minimal	Minimal	A, B
4.22	Exclusion for receipts realized by an out-of-state disaster relief business	Minimal	Minimal	Minimal	Minimal	B, C
4.23	Exclusion for anti-neoplastic drug receipts	Minimal	Minimal	Minimal	Minimal	A, C
4.24	Exclusion for receipts of a megaproject supplier	Minimal	Minimal	Minimal	Minimal	A, B, C
4.25	Exclusion for BWC dividend payments	\$15.4	Minimal	Minimal	Minimal	B
Total Commercial Activity Tax		\$711.2	\$744.8	\$780.8	\$833.1	

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code	
	FY 2022	FY 2023	FY 2024	FY 2025		
<u>Public Utility Excise Tax</u>						
5.01	Exemption for municipal utilities and non-profit waterworks	\$96.4	\$98.0	\$99.8	\$101.5	A, B, C
5.02	Sales to other public utilities for resale	\$4.8	\$4.8	\$4.8	\$4.8	A
Tax expenditures with revenue impact below \$1 million						
5.03	\$25,000 deduction from gross receipts	Minimal	Minimal	Minimal	Minimal	A
Total Public Utility Excise Tax		\$101.2	\$102.8	\$104.6	\$106.3	
<u>Kilowatt Hour Tax</u>						
6.01	Exemption for qualified end users	\$5.6	\$6.2	\$5.6	\$5.7	A, C
Total Kilowatt Hour Tax		\$5.6	\$6.2	\$5.6	\$5.7	
<u>Insurance Premium Taxes</u>						
7.01	Deduction for premiums received from qualified small business alliances	\$33.2	\$33.3	\$33.4	\$33.5	B
7.02	Credit for small insurers	\$1.5	\$1.4	\$1.3	\$1.2	B
7.03	Contributions to a certified Rural Business Growth Fund Credit	\$9.9	\$11.8	\$10.8	\$20.8	B
7.04	Contributions to transformational mixed-use development projects	\$0.0	\$0.0	\$48.3	\$87.0	B
Tax expenditures with revenue impact below \$1 million						
7.05	Ohio Life and Health Guaranty Association contribution credit	Minimal	Minimal	Minimal	Minimal	B
Total Insurance Premium Taxes		\$44.6	\$46.5	\$93.8	\$142.5	

FY 2024-2025 TAX EXPENDITURE ESTIMATES

	General Revenue Fund Revenue Foregone (<i>dollars in millions</i>)				Source Code
	FY 2022	FY 2023	FY 2024	FY 2025	
<u>Cigarette and Other Tobacco Products Taxes</u>					
8.01 Discount for cigarette tax stamps	\$13.7	\$13.3	\$12.9	\$12.5	B
8.02 Discount for timely payment of other tobacco products' excise tax	\$2.6	\$2.7	\$2.8	\$3.0	A
Total Cigarette and Other Tobacco Products Taxes	\$16.3	\$16.0	\$15.7	\$15.5	
<u>Alcoholic Beverage Tax</u>					
9.01 Advanced payment credit/discount	\$1.5	\$1.5	\$1.5	\$1.5	A
9.02 Small brewer's credit	\$2.8	\$2.8	\$2.8	\$2.8	A
Tax expenditures with revenue impact below \$1 million					
9.03 Sacramental wine exemption	Minimal	Minimal	Minimal	Minimal	B, C
9.04 Small wine producer's exemption	Minimal	Minimal	Minimal	Minimal	A
Total Alcoholic Beverage Tax	\$4.3	\$4.3	\$4.3	\$4.3	
GRAND TOTAL ALL TAXES	\$9,850.9	\$10,464.7	\$11,002.8	\$11,413.3	

Note: The summing of the tax expenditure estimates is for display purposes only. The actual fiscal impact of a repeal of one or more tax expenditures is dependent on factors not accounted for in this report.

SALES & USE TAX

The sales and use tax became law in 1934 at a rate of 3.0 percent and began to be levied on January 27, 1935. In 1967, the rate was increased to 4.0 percent. After a temporary 5.0 percent rate was imposed during the period of January through June 1981, a permanent 5.0 percent rate was adopted in November 1981. Until 1981, the sales and use tax was restricted to the sales or rental of tangible personal property. In November 1981, the tax base was extended to selected services. Since then, additional services were made subject to the tax. Authority to levy a permissive sales and use tax was given to counties in 1967 and to transit authorities in 1974. Currently, all 88 counties and nine transit authorities levy such tax. The local tax is reported and remitted along with the state sales and use tax. Counties and transit authorities are permitted to each levy a rate of up to 1.5 percent.

In 2003, legislation was enacted to impose a temporary increase in the state sales and use tax rate from 5.0 percent to 6.0 percent (in effect from July 1, 2003, through June 30, 2005). Rather than allowing the rate to revert to 5.0 percent once the temporary increase expired, the General Assembly set the rate at 5.5 percent, effective July 1, 2005. The rate was increased to 5.75 percent effective September 1, 2013.

Taxpayer

The sales tax is called a “trust” tax because consumers entrust the tax to persons who make retail sales with the understanding that the tax will be reported and paid to the State of Ohio in a timely manner. Any person who makes a “retail sale” subject to tax, or stores, uses, or consumes tangible personal property, or realizes a benefit in this state from any taxable service on which tax has not been paid is required to file a return and remit the tax due. It is the consumer’s responsibility to file and remit use taxes if the sales tax is not collected and remitted by the vendor.

Tax Base

The sale and rental of tangible personal property and statutorily enumerated services in Ohio (or property and selected services purchased out-of-state for use in Ohio) constitute the Ohio sales and use tax base. The tax base reflects a complex amalgam of statutory and constitutional provisions, as well as the accumulation of administrative and case law interpretations.

Since its 1935 inception, the sales and use tax structure has reflected a variety of exceptions, exemptions, and credits. This report omits some of these exceptions, exemptions, and credits because they are baseline features of the tax (see the **Introduction** section). For instance, certain sales and use tax exceptions have been

SALES & USE TAX

excluded that conform the tax more closely to the concept of a tax on final consumption – thereby mitigating the economic distortions otherwise created by “pyramiding” (a phenomenon that occurs when the same activity or final product is taxed more than once as it moves through the economic production chain). This exception is the resale exception.¹² The resale exception applies to purchased items that are subsequently resold by the purchaser in the same form (typically to a final consumer). This exception is elemental to a sales and use tax such that it is not considered a tax preference and therefore does not appear as a tax expenditure in this report.

The report does not include a credit for sales tax paid to other states. When an item is purchased in another state and sales tax is paid to such state, Ohio law typically allows a credit for the tax paid to that state (although if the tax paid to the other state is lower than what the tax would have been under Ohio law, the purchaser must pay the difference to Ohio).¹³ Such a credit is a baseline feature of the sales and use tax, and therefore it is not considered a tax expenditure for this report.

Another item excluded from this report is the exemption for “casual sales.”¹⁴ The report reflects the assumption that the sales tax was inherently designed to not tax the kinds of transactions subject to the casual sales exemption. Transactions covered by the casual sales exemption are those involving the sale of an item by a person that had originally acquired them for the person’s own use if the item had already been subject to a state sales and use tax.

Other exceptions considered inherent to the sales and use tax – and therefore not appearing as a tax expenditure in this report – are those sanctioned by the Ohio Constitution. One such exception pertains to food sold for human consumption.¹⁵ The Ohio Constitution precludes the imposition of a sales tax on food (including prepared food) consumed off the premises where sold.¹⁶ Another such exception is for certain sales of motor fuel. Sales of fuel used by motor vehicles operated on public highways are not subject to the sales and use tax because the Ohio Constitution requires any revenue generated from an excise tax on this product is to be used solely for highway-related purposes and not be deposited into the GRF.¹⁷

¹² R.C. § 5739.01(E)

¹³ R.C. § 5741.02(C)(5).

¹⁴ R.C. § 5739.02(B)(8). However, sales of motor vehicles, watercraft, and other specified vehicles are not subject to the casual sales exemption.

¹⁵ R.C. § 5739.02(B)(2)

¹⁶ Ohio Constitution Art. XII, § 13.

¹⁷ R.C. § 5739.02(B)(6)(a) and Ohio Constitution Art. XII, § 5a. Ohio imposes a motor vehicle fuel excise tax of 38.5 cents per gallon for gasoline and 47 cents per gallon for all other motor fuels (except compressed natural gas). The revenues are earmarked for highway-related purposes (construction, repair and maintenance of roads, bridges, et.) as prescribed in R.C. § 5735.01 et seq.

Tax Rate

The tax is imposed by the State of Ohio at a 5.75 percent rate. In addition, a local permissive sales and use tax may be imposed by a county or transit authority, however, the revenue impacts of the listed tax expenditures to the counties and transit authorities are *not* reflected in this report.

Significant Changes Enacted by the 134th General Assembly

Am. Sub. HB 110 (FY 2022-FY 2023 Biennial Operating Budget) reinstated the sales and use tax exemption for investment coins and bullion.

Sub. HB 687 (134th General Assembly's FY 2024-2025 Capital Budget) modified the sales and use tax exemption for building and construction materials to allow these materials to be incorporated into a manufacturing or research and development facility owned by a megaproject operator and located at a semiconductor wafer manufacturing megaproject site. The exemption applies during any period in which the megaproject is subject to a valid JCTC agreement. Additionally, the bill expands the existing sales tax and use exemption for qualified research and development equipment to include sales of any tangible personal property used primarily by a megaproject operator to perform research and development at a semiconductor wafer manufacturing megaproject site, regardless of whether that property is capitalized. Lastly, the bill created a new exemption for the sales of tangible personal property to a megaproject operator for use at the site of a semiconductor wafer manufacturing megaproject primarily for a variety of purposes.

Sales and Use Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of “overlapping” provisions (i.e., another credit or exemption available to the taxpayer for the same item or activity) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

The sales and use tax expenditure estimates rely mostly on secondary data sources rather than ODT's internal data sources such as tax returns. Economic Census data – generated by the U.S. Department of Commerce, Bureau of the Census – is the most extensively used source of data for the estimates. However, other types of data and information are used in these estimates, including those generated by other non-Census Bureau federal agencies, trade groups and academic, public, and non-profit research organizations.

NOTE: See page 6 for descriptions of data source codes.

SALES & USE TAX

A. Exempt entities

1.01 Sales to churches and certain other non-profit organizations

R.C. 5739.02(B)(12); originally enacted 1935, revised 2013.

Sales to churches, non-profit entities organized under Internal Revenue Code section 501(c)(3), and certain other types of non-profit organizations are exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 645.4	\$ 687.2	\$ 735.9	\$ 786.7

Data Source Code: B, C

1.02 Sales to the state, any of its political subdivisions, and to certain other states¹⁸

R.C. 5739.02(B)(1); originally enacted 1935, revised 1994.

Sales to the State of Ohio and any of its political subdivisions are exempt. Also exempt are sales to any other state (and their political subdivisions) if such state provides a reciprocal exemption to Ohio.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 157.0	\$ 160.1	\$ 161.8	\$ 163.7

Data Source Code: B, C

¹⁸ This estimate excludes estimated purchases by the State of Ohio because such purchases do not entail an appreciable state fiscal cost. The reason is currently foregone sales and use tax revenue is offset by decreased costs on the state's acquisitions. Viewed from another perspective, if the exemption were repealed, the State of Ohio would experience an increase in expenditures nearly commensurate with the sales tax revenue gain.

SALES & USE TAX

1.03 Sales by churches and certain other non-profit organizations

R.C. 5739.02(B)(9); originally enacted 1961.

Sales, other than motor vehicles, mobile homes, and manufactured homes, by churches, non-profit entities organized under Internal Revenue Code section 501(c)(3), and certain other non-profit organizations are exempt, if the number of days on which sales are made does not exceed six in any calendar year, except the limitation on the number of days does not apply to sales made by student clubs and other groups of students of a primary or secondary school, or a parent-teacher association, booster group, or similar organization that raises money to support or fund curricular or extra-curricular activities of a primary or secondary school.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 58.5	\$ 61.3	\$ 64.1	\$ 66.9

Data Source Code: B, C

B. Exemptions for property used or consumed to produce a product

1.04 Tangible personal property used primarily in manufacturing tangible personal property

R.C. 5739.011, 5739.02(B)(42)(g); originally enacted 1935, revised 1990, 2019, 2020.

Sales of tangible personal property are exempt where the purpose of the purchaser is to use the property primarily in a manufacturing operation to produce tangible personal property for sale.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$2,110.3	\$2,272.0	\$2,422.6	\$2,489.4

Data Source Code: B, C

SALES & USE TAX

1.05 Packaging and packaging equipment

R.C. 5739.02(B)(15); originally enacted 1961.

Packaging and packaging equipment, including materials, labels, and parts for packaging machinery and equipment sold to manufacturers and other qualified businesses are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 275.7	\$ 290.6	\$ 301.0	\$ 332.4

Data Source Code: B, C

1.06 Sales of tangible personal property and services to electricity providers

R.C. 5739.02(B)(40); originally enacted 2000.

Sales of tangible personal property and services to a provider of electricity used or consumed directly and primarily in generating or distributing electricity for use by others are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 328.5	\$ 338.1	\$ 331.0	\$ 335.9

Data Source Code: A, B

1.07 Sales of tangible personal property used or consumed in agriculture

R.C. 5739.02(B)(42)(n); originally enacted 1935, revised 2011, 2018.

Sales where the purpose of the purchaser is to use or consume the thing transferred primarily in producing personal property for sale by farming, agriculture, horticulture, or floriculture are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 316.4	\$ 318.1	\$ 320.0	\$ 322.3

Data Source Code: B

SALES & USE TAX

1.08 Sales of tangible personal property used or consumed in mining

R.C. 5739.02(B)(42)(a), (q); originally enacted 1935, revised 2011, 2018.

Sales of tangible personal property and certain services used or consumed directly in producing a product sold by mining operations or directly in the production of crude oil or natural gas are exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 86.8	\$ 99.6	\$ 110.2	\$ 117.1

Data Source Code: B, C

1.09 Agricultural land tile and portable grain bins

R.C. 5739.02(B)(30), (31); originally enacted 1985.

Sales and installation of agricultural land tile and erection or installation of portable grain bins are exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.6	\$ 1.6	\$ 1.6	\$ 1.6

Data Source Code: A, B

1.10 Tangible personal property used in the production of printed materials¹⁹

R.C. 5739.02(B)(42)(f); originally enacted 1973.

Machinery, equipment, and material used in the production for sales of printed, lithographic, photostatic, or other graphic productions or re-productions are exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 7.8	\$ 7.6	\$ 7.5	\$ 21.8

Data Source Code: B, C

¹⁹ This estimate was reduced by an estimated 75 percent under the expectation that most of this property is also subject to the sales tax exemption for tangible personal property used primarily in manufacturing (tax expenditure item 1.04). The estimate for tax expenditure 1.04 was not adjusted for the tangible personal property also subject to tax expenditure item 1.10. The exemption also applies to property used to produce magazines distributed as controlled circulation publications as reported in tax expenditure item 1.60.

SALES & USE TAX

1.11 Tangible personal property used in storing, preparing, and serving food²⁰

R.C. 5739.02(B)(27); originally enacted 1981.

Tangible personal property purchased by a licensed food service operation used primarily to prepare food for human consumption, to preserve such food, or to clean tangible personal property used to prepare or preserve such food is exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 45.9	\$ 52.9	\$ 58.3	\$ 61.5

Data Source Code: B, C

1.12 Tangible personal property used in preparation of eggs for sale

R.C. 5739.02(B)(24); originally enacted 1974.

Tangible personal property purchased by persons engaged in the preparation of eggs for sale and used or consumed directly in such preparation, including property used for cleaning, packaging, handling, and transportation equipment (except motor vehicles licensed to operate on public highways) is exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.2	\$ 2.2	\$ 2.3	\$ 2.4

Data Source Code: B

²⁰ This estimate was reduced by an estimated 50 percent under the expectation that most of this property is also subject to the sales tax exemption for tangible personal property used primarily in manufacturing (tax expenditure item 1.04) and for packaging and packaging equipment (tax expenditure item 1.05).

C. Exemptions based upon specified use of property or service

1.13 Building and construction materials and services used in certain structures²¹

R.C. 5739.02(B)(13); originally enacted 1959, revised 1994, 2022.

Building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property are exempt under a construction contract with the following entities: federal government; the State of Ohio and its political subdivisions; religious institutions and other organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; businesses engaged in horticultural and livestock purposes; and certain other specified types of entities.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 288.2	\$ 325.2	\$ 360.6	\$ 382.2

Data Source Code: B, C

1.14 Tangible personal property used directly in providing a public utility service

R.C. 5739.02(B)(42)(a); originally enacted 1935.

Tangible personal property and fuel used in the production, transportation, or distribution of a public utility service, or used in the repair or maintenance of machinery and equipment used directly in providing a public utility service are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 122.7	\$ 124.8	\$ 124.1	\$ 123.9

Data Source Code: A, B, C

²¹ This estimate excludes estimated purchases attributable to building contracts with the State of Ohio. This reflects the assumption that currently foregone revenue from the exemption is offset by decreased project costs for state projects. Because the tax exemption creates no appreciable fiscal impact to the state on its projects, those projects were excluded. It includes the recent inclusion of materials sold for incorporation into a structure or improvement to real property that is used primarily as, or primarily in support of, a manufacturing facility or research and development facility and that is to be owned by a megaproject operator as found in HB 687 of the 134th General Assembly.

SALES & USE TAX

1.15 Property used to fulfill a warranty or service contract

R.C. 5739.02(B)(42)(k); originally enacted 1986.

Parts and labor used to fulfill a warranty that is provided as part of the price of tangible personal property sold are exempt from the sales and use tax. In addition, parts and labor used to fulfill a warranty, maintenance, or service contract in which the vendor of such warranty or contract agrees to repair or maintain the consumer's tangible personal property are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 44.8	\$ 45.7	\$ 47.0	\$ 48.4

Data Source Code: B, C

1.16 Motor vehicles sold in Ohio for use outside of the state

R.C. 5739.02(B)(23), 5739.029, 5739.21; originally enacted 1971, revised 2007, 2008.

Motor vehicles sold in Ohio to non-residents, when the vehicles are immediately removed from Ohio and titled or registered in another state, are exempt. However, no exemption is permitted if the vehicles are titled or registered in a foreign nation (other than Canada), or in a U.S. state that applies its sales tax to an Ohioan purchasing a vehicle in that state for immediate removal to Ohio.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 114.7	\$ 118.4	\$ 118.0	\$ 121.3

Data Source Code: A, B

1.17 Tangible personal property used in research and development

R.C. 5739.02(B)(42)(i); originally enacted 1993, amended 2022.

Qualified tangible personal property used in research and development is exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 48.4	\$ 52.4	\$ 54.2	\$ 56.1

Data Source Code: B, C

SALES & USE TAX

1.18 Tangible personal property and services used in providing telecommunications and satellite services

R.C. 5739.02(B)(34); originally enacted 1987.

Tangible personal property and services used directly and primarily in providing telecommunications, mobile telecommunications, or satellite broadcasting services are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 125.2	\$ 129.5	\$ 134.0	\$ 138.6

Data Source Code: A, B

1.19 Qualified tangible personal property used in making a retail sale

R.C. 5739.02(B)(35); originally enacted 1935.

Sales of advertising material or catalogs used or consumed in making retail sales that price and describe property offered for retail sale are exempt. Additionally, purchases by direct marketing vendors of items that are used in printing advertising material and equipment primarily used to accept orders for direct marketing retail sales are also exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 47.8	\$ 47.0	\$ 48.1	\$ 49.7

Data Source Code: B, C

1.20 Property used in highway transportation for hire

R.C. 5739.02(B)(32); originally enacted 1985.

The sale, lease, repair, and maintenance of motor vehicles primarily used in transporting personal property by a person engaged in highway transportation for hire is exempt. Parts and other items attached to/incorporated into the motor vehicle also qualify for the exemption.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 53.9	\$ 56.1	\$ 58.6	\$ 59.5

Data Source Code: B, C

SALES & USE TAX

1.21 Qualified call center exemption

R.C. 5739.02(B)(45); originally enacted 2003, revised 2012.

The sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 14.1	\$ 14.2	\$ 14.3	\$ 14.5

Data Source Code: B, C

1.22 Copyrighted motion pictures and films

R.C. 5739.01(B)(8); originally enacted 1945.

Rental or sale of copyrighted motion pictures for exhibition purposes, unless solely for advertising, are exempt. Rentals of videotaped motion pictures, DVDs or similar items for private home use are taxable.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 4.5	\$ 7.0	\$ 8.5	\$ 8.6

Data Source Code: B, C

1.23 Tangible personal property used or consumed in private warehouses and distribution centers with inventory primarily shipped out of state.

R.C. 5739.02(B)(42)(j); originally enacted 1994, revised 2008.

Tangible personal property used or consumed primarily in storing, transporting, mailing, or otherwise handling purchased sales inventory in a warehouse, distribution center, or similar facility, when the inventory is primarily distributed outside Ohio to retail stores of the persons who owns or controls the warehouse, distribution center, or similar facilities is exempt. The exemption does not apply to motor vehicles registered for operations on public highways.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.5	\$ 6.1	\$ 6.5	\$ 6.9

Data Source Code: B

SALES & USE TAX

1.24 Drugs distributed to physicians for use as free samples

R.C. 5741.02(C)(7); originally enacted 2001.

Drugs that are, or are intended to be, distributed free of charge to a practitioner licensed to prescribe, dispense, and administer drugs to a human being during a professional practice and that, by law, may be dispensed only by or upon the order of that practitioner are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 35.1	\$ 36.7	\$ 39.0	\$ 42.1

Data Source Code: B, C

1.25 Property used in air, noise, or water pollution; or property used in energy or waste conversion

R.C. 5709.20, 5709.25; originally enacted 1965, 1978, amended 2003, 2018.

Tangible personal property used in industrial air, noise, or water pollution or for energy conversion, solid waste conversion, or thermal efficiency improvement facilities by holders of exempt facility certificates is exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 15.8	\$ 16.2	\$ 16.6	\$ 16.9

Data Source Code: A, B

1.26 Tangible personal property used in electronic publishing

R.C. 5739.01(JJJ), 5739.02(B)(42)(o); originally enacted 2007.

Tangible personal property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing is exempt. “Electronic publishing” is limited to electronic information and data access provided primarily to business customers.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 20.3	\$ 22.8	\$ 25.6	\$ 28.8

Data Source Code: B

SALES & USE TAX

1.27 25 percent refund for qualified tangible personal property used by electronic information service providers

R.C. 5739.071; originally enacted 1993.

Allow for a 25-percent refund for qualified tangible personal property used by electronic information service providers.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 3.5	\$ 3.7	\$ 3.9	\$ 4.2

Data Source Code: A, C

1.28 Sales of Tangible personal property to a megaproject operator for use in certain circumstances at the site of a semiconductor wafer manufacturing megaproject site

R.C. 122.17, 5739.01(RRR), 5739.02(B)(58); originally enacted 2022.

Sales of tangible personal property to a megaproject operator for use at the site of a semiconductor wafer manufacturing megaproject primarily for certain delineated purposes.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$0.0	\$76.7	\$86.2	\$64.1

Data Source Code: B, C

D. Exempt products and services

1.29 Prescription drugs and selected medical items

R.C. 5739.02(B)(18); originally enacted 1961.

Drugs that may only be dispensed pursuant to a prescription; certain products used by diabetics; and other qualified items used by individuals for medical purposes are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 480.4	\$ 496.0	\$ 514.1	\$ 533.7

Data Source Code: B

SALES & USE TAX

1.30 Transportation of persons or property

R.C. 5739.02(B)(11); originally enacted 1935, revised 2003.

Transportation of property and most transportation of persons is exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 305.0	\$ 331.3	\$ 351.1	\$ 371.3

Data Source Code: A, B, C

1.31 Newspapers

R.C. 5739.02(B)(4); originally enacted 1935.

Newspapers purchased at places of business, vending machines, or through subscription and published at least biweekly are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 21.8	\$ 21.8	\$ 21.8	\$ 21.8

Data Source Code: B, C

1.32 Artificial limbs, prostheses, wheelchairs, and other durable medical equipment

R.C. 5739.01(FFF), (GGG), (HHH), 5739.02(B)(19); originally enacted 1973, revised 1978, 2001, 2003, 2018.

Sales of prosthetic devices, durable medical equipment for home use, and mobility enhancing equipment, inclusive of corrective eyeglasses or contact lenses, are exempt. To qualify for the exemption, the property must be purchased pursuant to a prescription and the items must be for use for a human being.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 71.3	\$ 74.1	\$ 77.4	\$ 81.3

Data Source Code: B

SALES & USE TAX

1.33 Exemption for used mobile homes and reduced taxable price on new mobile homes

R.C. 5739.02(B)(39), 5739.0210; originally enacted 2000.

Sales of qualified used manufactured and mobile homes are exempt. In addition, for sales and use tax purposes, the dealers of new manufactured and mobile homes are considered the consumers of the homes they sell, so sales and use tax paid is based on the dealers' costs rather than on the amount paid by the ultimate consumer.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.7	\$ 5.8	\$ 5.9	\$ 6.0

Data Source Code: B, C

1.34 Sales of materials and services for maintenance and repair of aircraft

R.C. 5739.02(B)(49); originally enacted 2008.

Sales of materials, parts, equipment, and engines used in the repair or maintenance of aircraft or avionics systems, as well as sales of maintenance and repair services are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 13.7	\$ 15.0	\$ 15.7	\$ 16.0

Data Source Code: A, B

1.35 Flight simulators

R.C. 5739.02(B)(50); originally enacted 2008.

Sales of full flight simulators that are used for pilot or flight-crew training are exempt. Additionally, sales of repair or replacement parts or components of such flight simulators, as well as repair or maintenance services are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0

Data Source Code: B, C

SALES & USE TAX

1.36 Sales of natural gas by a municipal utility

R.C. 5739.02(B)(7); originally enacted 2016.

Sales of natural gas by a municipal natural gas utility, if delivered to consumers through pipes or conduits, are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.6	\$ 1.6	\$ 1.7	\$ 1.7

Data Source Code: B, C

1.37 Sales of investment bullion and coins²²

R.C. 5739.02(B)(57); originally enacted 1989; repealed 2005; reenacted 2013, repealed 2019, re-enacted 2021.

Sales of investment coins and bullion are exempt from the sales and use tax.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 3.8	\$ 5.9	\$ 6.1	\$ 6.2

Data Source Code: A, B, C

1.38 Motor vehicle rental if payment is reimbursed under warranty

R.C. 5739.02(B)(42)(p); originally enacted 2015.

The rental payments for motor vehicles provided to the owner or lessee of a motor vehicle that is being repaired or serviced are exempt if the motor vehicle provided is rented and the purchaser is reimbursed for the cost of the rental by a manufacturer, warrantor, or provider of a maintenance, service, or other similar contract or agreement, with respect to the motor vehicle being repaired or serviced.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.0	\$ 2.0	\$ 2.1	\$ 2.2

Data Source Code: C

²² FY 2022 estimate is based on eight-months of revenue impact.

SALES & USE TAX

1.39 Feminine hygiene products

R.C. 5739.02(B)(48); originally enacted 2020.

Sales of tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle are exempt from the sales and use tax (does not include grooming and other hygiene products).

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 8.8	\$ 9.0	\$ 9.2	\$ 9.4

Data Source Code: B, C

1.40 Sales of diapers or incontinence underpads sold pursuant to a prescription for the benefit of a Medicaid recipient

R.C. 5739.02(B)(56) originally enacted 2020.

Sales of diapers or incontinence underpads sold pursuant to a prescription for the benefit of a Medicaid recipient with a diagnosis of incontinence, provided that the Medicaid program covers diapers or incontinence pads as an incontinence garment are exempt from the sales and use tax.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	Minimal	Minimal	\$1.0	\$1.0

Data Source Code: B, C

E. Miscellaneous provisions

1.41 Value of motor vehicle trade-ins

R.C. 5739.01(H)(2); originally enacted 1981.

The value of a motor vehicle traded-in on the purchase of a new motor vehicle from a motor vehicle dealer is exempt and may be deducted from the taxable base of the new motor vehicle.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 319.9	\$ 334.4	\$ 336.2	\$ 336.9

Data Source Code: B, C

SALES & USE TAX

1.42 Discount for vendors

R.C. 5739.12(B)(1), 5741.12(A); originally enacted 1981; amended 2004, 2005, 2009.

A 0.75 percent discount on sales and use tax collected by vendors and out-of-state sellers are granted if the tax due is remitted by the due date of the tax return.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 58.9	\$ 60.3	\$ 63.3	\$ 68.0

Data Source Code: A

1.43 Food sold to students on school premises

R.C. 5739.02(B)(3); originally enacted 1937.

The sales of food to students in a cafeteria, dormitory, fraternity, or sorority maintained in a public, private, or parochial school, college, or university are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 26.9	\$ 28.5	\$ 29.3	\$ 29.0

Data Source Code: B, C

1.44 Value of watercraft trade-ins

R.C. 5739.01(H)(3); originally enacted 1990.

The value of any watercraft, watercraft and trailer, or outboard motor traded in on a new or used watercraft or outboard motor sold by a licensed dealer is exempt and may be deducted from the taxable base of the new or used watercraft or outboard motor.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ \$2.6	\$ 2.7	\$ 2.8	\$ 3.0

Data Source Code: C

SALES & USE TAX

1.45 Value of cable, video, and audio/visual works bought or sold by cable or video service providers

R.C. 5739.02(B)(53); originally enacted 2013.

Sales of cable service or programming, video or audio service or programming, or electronically transferred digital audio/visual work to or by a cable service provider, video service provider, or radio or television broadcast station regulated by the federal government are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 10.3	\$ 10.0	\$ 9.8	\$ 9.5

Data Source Code: B, C

1.46 \$800 tax cap on qualified fractionally owned aircraft

R.C. 5739.025(C)(1); originally enacted 2003.

Sales of shares of qualified fractionally owned aircraft, except for a payment of no more than \$800 per aircraft, which is allocated to each fractional owner according to their percentage ownership share, are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 10.9	\$ 10.6	\$ 10.4	\$ 10.1

Data Source Code: A, B, C

1.47 Ships and rail rolling stock used in interstate or foreign commerce

R.C. 5739.02(B)(14); originally enacted 1938.

Sales of ships or rail rolling stock used principally in interstate or foreign commerce and material used for repairing, altering, or propelling them are exempt.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.7	\$ 5.5	\$ 5.4	\$ 5.6

Data Source Code: A, B, C

SALES & USE TAX

1.48 Sales of qualified tangible personal property used in an eligible computer data center

R.C. 122.175; originally enacted 2011, revised 2013, 2017.

Sales, storage, use, or other consumption of qualified computer data center equipment used or to be used at an eligible computer data center are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 117.6	\$ 119.3	\$ 122.9	\$ 127.4

Data Source Code: A, B, C

1.49 Sales of computers and computer equipment to certified teachers

R.C. 5739.02(B)(37); originally enacted 1997.

Sales of personal computers, computer keyboards, computer monitors, and other peripheral computer equipment purchased by a licensed or certified teacher in this state for use by that individual in the preparation for teaching primary or secondary school students are exempt.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0

Data Source Code: B, C

1.50 Three-day sales and use tax holiday for specified clothing, school supplies, and school instructional material

R.C. 5739.02(B)(55); originally enacted 2018.

Sales of the following are exempt on the first Friday of August and the following Saturday and Sunday of each year, beginning in 2018: each item of clothing, the price of which is seventy-five dollars or less, each item of school supplies, the price of which is twenty dollars or less, and each item of school instructional material, the price of which is twenty dollars or less.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 20.4	\$ 20.8	\$ 21.0	\$ 21.2

Data Source Code: B, C

SALES & USE TAX

1.51 Sales of digital audio work electronically transferred through use of a machine such as a juke box

R.C. 5739.02(B)(54); originally enacted 2017.

Sales of a digital audio work electronically transferred for delivery through use of a machine, such as a juke box, that does all the following: accepts payments to operate, automatically plays selected digital audio work for a single play upon receipt of payment and operates exclusively for the purpose of playing digital audio work for a commercial establishment.

<i>Estimate:</i>	<i>(Dollars in millions)</i>			
	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 4.2	\$ 4.3	\$ 4.5	\$ 4.7

Data Source Code: B, C

F. Tax expenditures with annual revenue impact below \$1 million

1.52 Sales to veterans’ headquarters

R.C. 5739.02(B)(33); originally enacted 1986.

1.53 Sales of animals by non-profit animal shelters

R.C. 5739.02(B)(28); originally enacted 1981.

1.54 Agricultural “use on use” tangible personal property

R.C. 5739.02(B)(17); originally enacted 1961.

1.55 Tangible personal property used or consumed directly in commercial fishing

R.C. 5739.02(B)(42)(d); originally enacted 1945.

1.56 Tangible personal property for use in a retail business outside Ohio

R.C. 5739.02(B)(21); originally enacted 1968.

1.57 Sales of tangible personal property and services for maintenance and repair of qualified fractionally owned aircraft²³

R.C. 5739.02(B)(44); originally enacted 2003.

1.58 Bulk water for residential use

R.C. 5739.02(B)(25)(a); originally enacted 1978.

²³ This tax expenditure item is shown as having a minimal revenue impact under the expectation that most of the qualifying property and services is also eligible for the exemption for materials and services used in the maintenance and repair of aircraft (tax expenditure item 1.34). In contrast, the estimate for tax expenditure item 1.34 was not reduced to reflect tangible property and services subject to this tax expenditure item (item 1.57).

SALES & USE TAX

- 1.59 Emergency and fire protection vehicles and equipment**
R.C. 5739.02(B)(20); originally enacted 1965, revised 2000.
- 1.60 Controlled circulation magazines**
R.C. 5739.02(B)(4); originally enacted 1935, revised 2002, 2013.
- 1.61 Sales to qualifying non-profits**
R.C. 307.695, 5739.02(B)(52); originally enacted 2013.
- 1.62 Equipment stored, used, or otherwise consumed by an out-of-state disaster business during a disaster response period in Ohio**
R.C. 5703.94, 5741.02(C)(10); originally enacted 2018.
- 1.63 Exports that are delivered into Ohio for temporary storage, packaging, or consolidation before shipment to a foreign citizen.**
R.C. 5739.02(B)(38); originally enacted 2017, amended 2019.
- 1.64 Motor fuel used for powering refrigeration units on vehicles other than units that provide comfort for the operator or occupants**
R.C. 5739.02(B)(6)(b) originally enacted 2020.

INDIVIDUAL INCOME TAX

INDIVIDUAL INCOME TAX

Ohio was first authorized to levy an income tax in 1912 by constitutional amendment. However, 60 years passed before the state individual income tax became effective in 1972. The income tax was designed to be closely based on federal law to facilitate compliance by the taxpayer and ease of administration by the state.

Taxpayer

The tax is paid by individuals, estates and trusts residing in Ohio, or earning or receiving Ohio income, including lottery winnings, prizes, or awards. The tax is also paid by individuals, estates and trusts otherwise having nexus with Ohio. Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

Tax Base

The tax base for an individual's income, other than business income, is federal adjusted gross income (FAGI), plus or minus Ohio adjustments, less an exemption for the taxpayer, taxpayer's spouse, and each dependent. The tax base for an individual's business income is taxable business income. In the case of estates, the tax base is Ohio taxable income and for trusts it is a modified Ohio taxable income.

Tax Rate

Ohio has implemented significant income tax reductions and reform under Am. Sub. H.B. 110 (134th General Assembly's FY 2022-FY 2023 Biennial Operating Budget). Ohio reduced its non-business income tax rates by 3.0-percent across the board; reduced the number of income tax brackets for non-business income from five to four by collapsing the top two brackets; and it expanded the bottom "zero-percent" bracket from the previous \$21,750 or less in Modified Ohio Taxable Income to \$25,000 or less. For other than business income, the Tax Year 2022 rates are:

INDIVIDUAL INCOME TAX

Taxable Year 2022 Income Tax Table for Individuals			
Ohio adjusted gross income less taxable business income and exemptions		Ohio Income Tax	
More Than	Not More Than	Marginal Tax Rate	Base Tax Liability
\$0	\$26,050	0%	\$0
26,050	46,100	2.765%	\$360.69
46,100	92,150	3.226%	\$915.07
92,150	115,300	3.688%	\$2,400.64
115,300		3.990%	\$3,254.41
Taxable business income less any amount allowed under 5747.02(A)(4)(b)		Ohio Income Tax	
More than		Marginal Tax Rate	Base Tax Liability
\$0		3.000%	\$0

The tax rate on business income less any amount allowed under R.C. 5747.02(A)(4)(b) is a flat 3.0 percent after application of the business income deduction. For estates and trusts, the tax rates for Tax Year 2022 are:

Taxable Year 2022 Income Tax Table for Estates (Ohio Taxable Income) and Trusts (Modified Ohio Taxable Income)			
Ohio Taxable Income or Modified Ohio Taxable Income		Ohio Income Tax	
More Than	Not More Than	Marginal Tax Rate	Base Tax Liability
\$0	\$26,050	1.38462%	\$0
26,050	46,100	2.765%	\$360.69
46,100	92,150	3.226%	\$915.07
92,150	115,300	3.688%	\$2,400.64
115,300		3.990%	\$3,254.41

Annual indexing of the income tax brackets took effect in tax year 2010 (though there have been some years where it was suspended temporarily). Ohio law requires annual adjustments to the individual income tax brackets based on the growth in the gross domestic product deflator during the preceding calendar year. The calculated amounts

INDIVIDUAL INCOME TAX

are ultimately required to be rounded to the nearest \$50. The changes to the tax brackets are calculated in August of each year and apply to the taxable year during which the calculations are made. Reductions in the tax rates caused by the indexing are not considered tax expenditures for the purposes of this report. Similarly, alterations in tax brackets do not meet the operative definition of a tax expenditure, which is why the annual indexation of the individual income tax brackets is not included as a tax expenditure item in this report.

Significant Changes Enacted by the 133rd and 134th General Assembly

Am. Sub. S.B. 39 (133rd General Assembly) reinstated the non-refundable campaign contribution credit.

Am. Sub. HB 110 (134th General Assembly, FY 2022-FY 2023 Biennial Operating Budget) applied a 3.0-percent across the board rate reduction for non-business income for TY 2021 (applied to TY 2020 rates); expanded the “zero-percent” tax bracket to \$25,000 in Modified Ohio Taxable Income; consolidated the top-two tax brackets at a rate of 3.99-percent and froze the tax bracket indexing for TY 2021 at the TY 2020 level. Additionally, it froze the personal exemption indexing at the TY 2020 levels for TY 2021 and TY 2022. It also created three separate non-refundable tax credits: (1) a maximum \$250 non-refundable credit for education expenses for taxpayers with homeschool children; (2) A maximum of \$750 non-refundable credit for cash donations made to certain scholarship granting organizations that prioritize low-income students; and (3) a non-refundable credit for taxpayers for tuition paid for children in non-chartered, non-public schools.²⁴ Additionally, two business income deductions (one for capital gains for a sale of a business and one for venture capital gains) were also enacted, however, they do not come into effect until TY 2026 and are not displayed in this report.

Sub. SB 166 (134th General Assembly) created a non-refundable tax credit for 15.0-percent of the total wages paid to an employee participating in a career technical training program.

Am. Sub. HB 95 created two separate, but related credits. First, it created a non-refundable credit (with a three-year carry-forward) to beginning farmers for the cost of completing a financial management course certified by the Ohio Department of Agriculture. The second credit is for owners of agricultural assets for the sale or rental of those assets to beginning farmers.

²⁴ The credit for tuition for non-chartered, non-public schools is as follows: If FAGI is less than \$50,000 the credit is a maximum of \$500; if FAGI is \$50,000 to less than \$100,000, the credit is a maximum of \$1,000. No credit thereafter.

INDIVIDUAL INCOME TAX

Sub. SB 225 (134th General Assembly) modified both the Historic Structure Rehabilitation and the Opportunity Zone tax credits. For the historic structure rehabilitation tax credit, it increased the amount of tax credits that may be awarded by the Ohio Department of Development from \$60 million to \$120 million in each of FY 2023 and 2024.²⁵ It allowed several credit enhancements for rehabilitation projects approved by Development on or after the bill's 90-day effective date (September 12, 2022) and before July 1, 2024. It permitted owners of projects approved after June 30, 2020, and before the bill's 90-day effective date (September 12, 2022) to reapply for an enhanced credit so long as construction on the project has not yet commenced. And it provided that a state historic rehabilitation tax credit certificate is "effective" on the date that all historic buildings rehabilitated by the project are "placed in service," according to the meaning prescribed by federal income tax law. For the Opportunity Zone tax credit, it expanded eligibility to receive an Ohio opportunity zone investment tax credit allocation to investors in Ohio opportunity zones that are not subject to the personal income tax. It transitioned the overall cap on the amount of Ohio opportunity zone investment tax credits from a biennial to an annual limit and requires that compliance be determined based on the amount of credits awarded by Development rather than the amount of credits claimed. It increased the cap for the FY 2022-2023 biennium from \$50 million to \$75 million, and sets caps of \$50 million for FY 2024, and \$25 million for FY 2025 and each year thereafter to incorporate the transitioning to the annual cap. Development is to conduct two annual application periods, each covering qualifying investments made during the preceding six months. Lastly, it expanded the circumstances under which a tax credit may be transferred.

Am. SB 246 (134th General Assembly) was enacted, but this is not considered an item that meets the definition of a tax expenditure. The Act altered the tax on a pass-through entity's (PTE's) income apportioned to Ohio by creating a tax at a rate of 5% for taxable years beginning in 2022 and 3% for taxable years thereafter, but only if the PTE elects to become subject to the tax. It authorized a PTE owner to claim a refundable credit against the owner's Ohio income tax liability equal to the owner's proportionate share of the tax paid by the PTE. If a PTE does not elect to become subject to this tax, it would remain subject to the current tax structure for PTEs:

1. The IT 1140 is a withholding form that the qualifying pass-through entity completes and files with the Department of Taxation. Through the IT 1140, a tax of 5 percent is withheld from the income of all qualifying individual investors and an entity tax of 8.5 percent is withheld from the income of qualifying investors that are not individuals. The entity tax, historically 8.5 percent, was phased out for most corporate investors as part of the phase-out of the corporation franchise tax but still applies to most investors who are

²⁵ The Historic Rehabilitation tax credit is applicable not just to income tax, but to the financial institutions tax, and the domestic and foreign insurance premium taxes. Total impact is reflected in the income tax section.

INDIVIDUAL INCOME TAX

themselves pass-through entities (see Entity Tax Phase-Out for Qualifying Investors). When completing their individual tax returns (IT 1040), a qualifying individual investor may claim a refundable income tax credit based on the investor's proportionate shares of the pass-through withholding and entity tax reported on the IT 1140.

2. The 4708 form is a composite return completed and filed by the pass-through entity on behalf of one or more of the entity's investors for whom income tax has not been previously withheld. By being included in form IT 4708, nonresident investors meet their filing and payment obligation with respect to that income and need not file a separate individual income tax return unless they have other Ohio-source income. On the IT 4708, the tax is calculated at the highest individual income tax rate for nonbusiness income for the taxable year for which the return is filed.

This is considered an alternative tax structure and a method of withholding the tax and a method of claiming any credit for that withholding. Similar how a wage earner would file a personal income tax return to claim credit for taxes withheld on their behalf.

Individual Income Tax Expenditure Estimates

The tax expenditure for the exemption for disability income and for survivor benefit income has been separated. Previous reports reflected that these tax expenditures were reported on the same line on Ohio tax returns. They are now separated on their own lines on the returns and can be reported individually.

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of "overlapping" provisions (i.e., another credit, exemption, or deduction available to the taxpayer for the same or similar purpose) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information reported on individual state and/or federal income tax returns filed with ODT or with the Internal Revenue Service. However, some estimates utilized secondary revenue sources such as the IRS's Statistics of Income, other state agencies, and published public research.

This report changes the name of the name of the "Motion Picture Tax Credit" to the "Eligible Productions Tax Credit" to reflect the expansion of the credit to Broadway theatrical productions given in HB 166 (133rd General Assembly's FY 2020-2021 Biennial Operating Budget).

INDIVIDUAL INCOME TAX

NOTE: See page 6 for descriptions of data source codes.

A. Exemptions, exclusions, and deductions

2.01 Personal, spousal, and dependent exemption

R.C. 5747.025; originally enacted 1972, revised 1974, 1975, 1995, 1996, 1997, 2002, 2013, 2014, 2019, 2021.

A deduction may be claimed for the taxpayer, taxpayer's spouse, and each dependent. The deduction amount is dependent upon the taxpayer's income and is indexed for inflation. For tax year 2021, the amounts are: (1) \$2,400 for Modified Adjusted Gross Income (MAGI) less than or equal to \$40,000; (2) \$2,150 for MAGI greater than \$40,000 but less than or equal to \$80,000; and (3) \$1,900 for MAGI greater than \$80,000. With indexing frozen in TY 2022 and is expected to return and cause the brackets to increase by \$50 each year for each stated level for tax years 2023-2024.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 506.1	\$ 501.5	\$ 526.6	\$ 557.2

Data Source Code: A, B

2.02 Social Security and railroad retirement benefits

R.C. 5747.01(A)(5); originally enacted 1972.

All social security and railroad retirement benefits included in FAGI may be excluded from the calculation of Ohio Adjusted Gross Income (OAGI).

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 385.5	\$ 406.8	\$ 420.7	\$ 433.7

Data Source Code: A, B

INDIVIDUAL INCOME TAX

2.03 Deduction for taxpayers not eligible for employer sponsored medical plan

R.C. 5747.01(A)(10)(a); originally enacted 1999.

Qualifying taxpayers who are not eligible for an employer sponsored health plan may deduct any amounts paid for medical care insurance.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 51.0	\$ 53.6	\$ 56.4	\$ 59.3

Data Source Code: B, C

2.04 Exemption for disability income

R.C. 5747.01(A)(4); originally enacted 1975.

Disability income included in FAGI is excluded from the calculation of OAGI.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 8.8	\$ 9.1	\$ 9.4	\$ 10.5

Data Source Code: A, B

2.05 Exemption for survivor benefits

R.C. 5747.01(A)(4); originally enacted 1975.

Survivor benefit income included in FAGI is excluded from the calculation of OAGI.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 14.7	\$ 13.7	\$ 12.4	\$ 12.1

Data Source Code: A, B

INDIVIDUAL INCOME TAX

2.06 Exemption for active-duty military income

R.C. 5747.01(A)(21); originally enacted 2006.

Military income included in FAGI is excluded from the calculation of OAGI if the pay is received for active-duty service in the military, military reserve, or National Guard for service outside Ohio.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 22.9	\$ 24.4	\$ 25.8	\$ 27.1

Data Source Code: A, B

2.07 Deduction for excess medical expenses

R.C. 5747.01(A)(10)(b); originally enacted 1999.

Qualifying taxpayers may claim a deduction for medical expenses that exceed 7.5% of FAGI.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.5	\$ 7.4	\$ 9.1	\$ 11.0

Data Source Code: A, B

2.08 Exemption for pre-1972 trusts

R.C. 5747.01(EE); originally enacted 2006.

Qualifying trusts created before 1972 that have elected to be subject to the commercial activity tax is exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.0	\$ 5.2	\$ 5.4	\$ 5.7

Data Source Code: A, C

INDIVIDUAL INCOME TAX

2.09 Deduction for long-term care insurance premiums

R.C. 5747.01(A)(10)(a), (c); originally enacted 1999.

A taxpayer may deduct the full amount of long-term health care insurance premiums.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 18.2	\$ 18.5	\$ 18.8	\$ 19.1

Data Source Code: C

2.10 Deduction for contributions to educational savings programs

R.C. 5747.01(A)(9), 5747.70; originally enacted 1999, revised 2017, 2018.

A taxpayer may deduct, limited to \$4,000 per beneficiary, contributions to variable educational savings programs.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 19.6	\$ 19.7	\$ 20.3	\$ 20.8

Data Source Code: A

2.11 Exemption for uniformed services retirement income

R.C. 5747.01(A)(23); originally enacted 2008, revised 2014.

Uniformed services retirement income included in FAGI is excluded from the calculation of OAGI.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 30.6	\$ 32.2	\$ 33.3	\$ 34.4

Data Source Code: A, B

INDIVIDUAL INCOME TAX

2.12 Ohio business investor income deduction

R.C. 5747.01(A)(28); originally enacted 2013, revised 2014, 2015.

Individuals who have business income may claim a deduction of up to \$250,000 of their net business income.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 726.1	\$ 744.3	\$ 764.7	\$ 795.1

Data Source Code: A, B

2.13 Deduction for a medical savings account

R.C. 3924.66, 5747.01(A)(13); originally enacted 1996.

A taxpayer may receive a deduction for contributions to and interest earned on a medical savings account.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.6

Data Source Code: A

B. Non-business tax credits

2.14 Joint filer credit

R.C. 5747.05(E); originally enacted 1971, amended 2019.

Taxpayers using married filing joint status may claim a joint filing credit if each spouse has at least \$500 in earned income. The maximum credit allowed in any tax year is \$650.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 203.7	\$ 212.1	\$ 220.0	\$ 226.7

Data Source Code: A, B

INDIVIDUAL INCOME TAX

2.15 \$20 personal exemption credit

R.C. 5747.022; originally enacted 1983, revised 2013, 2019.

Taxpayers whose MAGI, less applicable exemptions, for the taxable year is less than \$30,000 may claim a \$20 credit times the number of exemptions allowed for the taxpayer, taxpayer's spouse and each dependent.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 6.3	\$ 5.1	\$ 3.9	\$ 3.2

Data Source Code: A, B

2.16 Retirement income credit

R.C. 5747.055(B) originally enacted 1983, revised 2015, 2019.

Taxpayers with qualified retirement income included in FAGI and whose MAGI for the taxable year, less applicable exemptions, is less than \$100,000, may claim a credit of up to \$200.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 79.0	\$ 79.0	\$ 79.0	\$ 79.0

Data Source Code: A

2.17 Resident credit for income taxes paid to another state

R.C. 5747.05(B); originally enacted 1972.

Ohio residents may claim a credit for taxes paid to another state. The credit is the lesser of the amount of the tax levied by the other state or the amount of Ohio income tax that would otherwise have been paid on such income.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 148.2	\$ 156.1	\$ 160.2	\$ 163.7

Data Source Code: A

INDIVIDUAL INCOME TAX

2.18 \$50 senior citizen credit

R.C. 5747.055(F); originally enacted 1972, revised 2015, 2019.

Taxpayers aged 65 years or older whose MAGI for the taxable year, less applicable exemptions, is less than \$100,000 may claim a \$50 tax credit per return.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 21.2	\$ 21.6	\$ 22.1	\$ 22.7

Data Source Code: A, C

2.19 Dependent care credit

R.C. 5747.054; originally enacted 1988, revised 1993, 1997, 2016, 2019.

Taxpayers with qualifying child and dependent care expenses and whose MAGI is less than \$40,000 may claim a credit based on the federal dependent care credit.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.7	\$ 1.9	\$ 2.0	\$ 2.2

Data Source Code: A, B

2.20 Campaign contribution credit

R.C. 5747.29; originally enacted 1995; repealed 2019; reenacted 2020.

Taxpayers may claim a credit of up to \$50 (\$100 for a joint return) for campaign contributions to candidates running for a statewide office, state representative, or state senator.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.3	\$ 2.5	\$ 2.2	\$ 2.4

Data Source Code: A

INDIVIDUAL INCOME TAX

2.21 Credit for adoption related expenses

R.C. 5747.37; originally enacted 1999, revised 2007, 2015.

Taxpayers participating in a legal adoption may claim a tax credit equal to the greater of \$1,500 or the amount of actual expenses incurred for the adoption, not to exceed \$10,000, and excess credits may be carried forward for five years or until used up, whichever occurs first.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 4.2	\$ 4.8	\$ 5.5	\$ 6.1

Data Source Code: A, B

2.22 State earned income tax credit

R.C. 5747.71; originally enacted 2013, revised 2015, 2019.

Qualifying taxpayers may claim a non-refundable state earned income tax credit equal to up to 30 percent of the taxpayer's allowed federal earned income tax credit.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 69.5	\$ 66.6	\$ 67.1	\$ 67.5

Data Source Code: A, B

2.23 Lead abatement tax credit

R.C. 3742.50, 5747.26; originally enacted 2019.

Qualifying taxpayers may claim a non-refundable credit for certain costs associated with lead abatement on an eligible dwelling.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	Minimal	Minimal	\$ 1.7	\$ 3.2

Data Source Code: A

INDIVIDUAL INCOME TAX

2.24 Home instruction tax credit

R.C. 5747.72; originally enacted 2021.

A maximum of \$250 non-refundable credit for taxpayers with home-schooled children.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.9	\$ 3.0	\$ 3.1	\$ 3.3

Data Source Code: B

2.25 Credit for donations to scholarship organizations

R.C. 5747.73; originally enacted 2021.

A maximum \$750 non-refundable credit for cash donations made to certain scholarship granting organizations that prioritize low-income students.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 50.5	\$ 50.5	\$ 50.5	\$ 50.5

Data Source Code: B, C

2.26 Credit for dependents who attend non-chartered, non-public schools

R.C. 5747.75; originally enacted 2021.

A non-refundable credit for a taxpayer who has one or more children attending a non-chartered, non-public school. If the taxpayer's FAGI is less than \$50,000, the credit is a maximum of \$500; if the taxpayer's FAGI is at least \$50,000 but less than \$100,000, the credit is a maximum of \$1,000.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
	\$ 4.3	\$ 4.3	\$ 4.3	\$ 4.3

Data Source Code: A, B, C

INDIVIDUAL INCOME TAX

C. Business tax credits

2.27 Historic structure rehabilitation credit²⁶

R.C. 149.311, 5725.34, 5726.52, 5729.17, 5747.76; originally enacted 2007, revised 2008, 2011, 2012, 2013, 2014, 2016, 2017, 2022.

A credit equal to 25 percent of qualified rehabilitation expenditures, but not exceeding \$5 million in a given taxable year, is available to owners of historic structures. Excess credits may be carried forward for five years or until used, whichever occurs first.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 57.9	\$ 104.7	\$ 104.7	\$ 52.4

Data Source Code: A, B

2.28 Eligible productions tax credit²⁷

R.C. 122.85, 5726.55, 5747.66, and 5751.54; originally enacted 2009, revised 2012, 2016, 2019.

A refundable tax credit may be claimed for Ohio production expenditures by eligible productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially budgeted production expenditures or actual production expenditures. The total amount issued may not exceed \$40 million per fiscal year.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 12.8	\$ 18.8	\$ 23.6	\$ 28.5

Data Source Code: A

²⁶ The credit is also available to qualifying taxpayers subject to the domestic and foreign insurance taxes and the financial institutions tax. Additionally, R.C. 5725.151 and 5733.47, are references to the now phased-out dealers in intangibles and corporate franchise taxes, respectively. The estimates given for this tax expenditure item are inclusive for all the stated taxes.

²⁷ The tax credit is also available to qualifying taxpayers subject to the financial institution tax and commercial activity tax. The estimates given for this tax expenditure item are inclusive for all stated taxes. R.C. 122.85 still references the corporate franchise tax; however, that tax has been repealed for tax years 2014 and thereafter.

INDIVIDUAL INCOME TAX

2.29 Small business investment credit

R.C. 122.86, 5747.81; originally enacted 2011, amended 2012, 2014, 2015, 2019.

Investors in a qualified “small business enterprise” with an operating presence in Ohio are granted a non-refundable income tax credit.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.6	\$ 2.4	\$ 2.5	\$ 2.8

Data Source Code: A

2.30 Opportunity Zone employee credit

R.C. 122.84; originally enacted 2019, amended 2021, 2022.

Taxpayers may claim a non-refundable tax credit for investments in Ohio qualified Opportunity Zones.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 10.2	\$ 17.2	\$ 43.2	\$ 39.4

Data Source Code: A, B

2.31 15-percent credit for wages paid to an employee participating in a career technical program.

R.C. 5747.057; originally enacted 2022.

Non-refundable credit for 15-percent of the total wages paid to a student participating in a career technical training program.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.4	\$ 2.4	\$ 2.4	\$ 2.4

Data Source Code: B, C

INDIVIDUAL INCOME TAX

2.32 Beginning farmer management credit.

R.C. 901.61(E) and 5747.77(B); originally enacted 2022.

Beginning farmers who complete a financial management program certified by the Ohio Department of Agriculture may receive a non-refundable tax credit (with three-year carry-forward) equal to the cost of attending such a program.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	N/A	\$ 0.0	Minimal	\$ 1.2

Data Source Code: B

2.33 Credit for the sale or rental of agricultural assets to a beginning farmer.

R.C. 901.61(D) and 5747.77(A); originally enacted 2022.

A non-refundable credit (with seven-year carry-forward) for owners of agricultural assets for the sale or rental of those assets to beginning farmers.

<i>(Dollars in millions)</i>				
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	N/A	\$ 0.0	\$ 1.8	\$ 2.7

Data Source Code: B

D. Tax expenditures with revenue impact below \$1 million

2.34 Lump sum distribution credit for taxpayers with less \$100,000 in MAGI

R.C. 5747.055(G); originally enacted 1972, revised 2015, 2019.

2.35 Deduction for organ donation expenses

R.C. 5747.01(A)(22); originally enacted 2007.

2.36 Enterprise zone day care/training credit

R.C. 5709.65(A)(4); originally enacted 1982, amended 2015.

2.37 Enterprise zone employee credit

R.C. 5709.66(B)(1); originally enacted 1994, amended 2015.

2.38 Grape production credit

R.C. 5747.28; originally enacted 1994, revised 2016.

2.39 Contributions to another person's Individual Development Account

R.C. 329.11, 329.14, 5747.01(A)(16); originally enacted 2000.

INDIVIDUAL INCOME TAX

- 2.40 Deduction for Pell Grant or Ohio College Opportunity Grant proceeds**
R.C. 5747.01(A)(27); originally enacted 2011.
- 2.41 Deduction for ABLE account contributions**
R.C. 5747.01(A)(29) and 5747.78; originally enacted 2016.
- 2.42 Lump sum retirement income credit for taxpayers with less than \$100,000 in MAGI**
R.C. 5747.055(C) through (E); originally enacted 1972, revised 2015, 2019.
- 2.43 Deduction for health insurance for qualified adult children and other dependents**
R.C. 5747.01(A)(10); originally enacted 2009.
- 2.44 Deduction qualified disaster relief work**
R.C. 5703.94, 5747.01(A)(30); originally enacted 2018.
- 2.45 Deduction for certain disability severance payments for honorably discharged veterans**
R.C. 5747.01(A)(32); originally enacted 2019.
- 2.46 Deduction for qualifying educators' out-of-pocket expenses for professional development and classroom supplies**
R.C. 5747.01(A)(31); originally enacted 2020.
- 2.47 Displaced worker job training credit**
R.C. 5747.27(G); originally enacted 1994, revised 2015.

FINANCIAL INSTITUTIONS TAX

The financial institutions tax (FIT) was enacted in 2012 by Am. Sub. H.B. 510 (129th General Assembly). The tax replaced the corporate franchise tax that had remained on financial institutions after that tax was phased-out for most of its taxpayers, and the dealers in intangibles tax. FIT became effective in 2014, based on activity in 2013.

Taxpayers

The FIT applies to each financial institution for the privilege of doing business in the state. A “financial institution” is a bank organization (national or state chartered bank, federal savings association or bank, agency or branch of a foreign bank, bank or savings and loan organizations, trust, corporation organized under 12 U.S.C. 611 or entities licensed as a small business investment company); holding company of a bank organization or a non-bank organizations (an entity that engages in business primarily as a “small dollar lender,” which is defined as any person primarily engaged in the business of loaning money to individuals if the loan is for one year or less and does not exceed \$5,000).

Various business organizations are not included in the definition of a FIT taxpayer. As this is an exclusion from the definition of a taxpayer, these are not within the tax base and therefore not considered a tax expenditure. These excluded businesses include insurance companies, credit unions, institutions organized exclusively for charitable purposes, diversified savings and loan holding companies and other specifically enumerated business types.

Tax Base and Tax Rate

The tax base is “total Ohio equity capital” of financial institutions. Total equity capital is comprised of all forms of equity, such as common stock, surplus, and retained earnings. However, the equity capital of non-controlling minority interests in consolidated subsidiaries that are not financial institutions are not included. An apportionment ratio based on gross receipts is applied to total equity capital. H.B. 166 (133rd General Assembly) altered the tax base. For tax years 2014 through 2019, total Ohio equity capital is equal to the product of multiplying the total equity capital of the financial institution by an Ohio apportionment factor. For tax year 2020 and thereafter, total Ohio equity capital is equal to the total equity capital of the financial institution, limited to 14-percent of its total consolidated assets, multiplied by an Ohio apportionment factor.

FIT taxpayers are subject to a \$1,000 minimum tax. The tax has a three-tier rate structure as follows:

FINANCIAL INSTITUTIONS TAX

1. 0.8 percent on the first \$200 million of total Ohio equity capital.
2. 0.4 percent on the next \$1.1 billion of total Ohio equity capital (above \$200 million, but less than \$1.3 billion);
3. 0.25 percent on the remaining total Ohio equity capital (\$1.3 billion and above).

Significant Changes Enacted by the 133rd General Assembly

Am. Sub. HB 150 (133rd General Assembly) authorized a reduction in tax liability of up to \$1.0 million per year for “de novo banks” for three years. It also relieved such financial institutions of the minimum tax.²⁸

Financial Institutions Tax Expenditure Estimates

Specifically, enumerated deductions and tax credits are listed. Numerous tax credits are awarded by the Ohio Development Services Agency (DSA) that are applicable to a variety of taxes and are displayed either in the Individual Income Tax or the Commercial Activity Tax sections, as those taxes contain most of the claims. Various business types that are not included in the definition of a FIT taxpayer are not considered a tax expenditure for this report.²⁹

The estimates shown below reflect revenue foregone by the GRF from each tax expenditure. As mentioned above, many of the credits are listed in other sections of this report.

Data are primarily from tax returns and other taxpayer filings with ODT and data from DSA.

NOTE: See page 6 for descriptions of data source codes.

²⁸ The tax reduction acts like a non-refundable credit.

²⁹ R.C. 5726.041

FINANCIAL INSTITUTIONS TAX

A. Tax credits

3.01 New markets tax credit³⁰

R.C. 5725.33, 5726.54, 5729.16; originally enacted 2009, revised 2013, 2015, 2017.

Taxpayers with an equity investment in a qualifying community development entity may claim a non-refundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, 7.0 percent in the third year and 8.0 percent in each of the four following years (for a total credit of 39 percent).

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 8.8	\$ 8.9	\$ 8.9	\$ 8.9

Data Source Code: A, B

3.02 Credit for venture capital loan loss³¹

R.C. 150.07, 5707.031, 5725.19, 5726.53, 5727.241, 5729.08, 5733.49, 5747.80; originally enacted 2003, revised 2005, 2006, 2013.

A tax credit is available to certain investors incurring specified losses in the Ohio Venture Capital Loan Program.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7

Data Source Code: A, B

B. Tax expenditures with revenue impact below \$1 million

3.03 De Novo Bank Exemption

R.C. 5726.01, 5726.04; effective 2021

³⁰ This credit is also available to the foreign and domestic insurance premium taxes. Estimates for all taxes affected are displayed in this tax expenditure item.

³¹ This credit is available to under the foreign and domestic premium tax, the public utility tax for natural gas and combined companies and the individual income tax. Estimates for all taxes affected are displayed in this tax expenditure item. Additionally, the dealers in intangibles tax and the corporate franchise tax still have references to this credit, though those taxes have been repealed and no further credits can be taken against them.

COMMERCIAL ACTIVITY TAX

The commercial activity tax (CAT) is a tax imposed on the privilege of doing business in Ohio. The tax is measured by taxable gross receipts. The CAT is the successor to Ohio's corporate franchise tax and tangible personal property tax, both of which have been phased out.

Taxpayers

The CAT applies to persons with taxable gross receipts of more than \$150,000 per calendar year. The tax applies to most persons above the \$150,000 threshold, regardless of organizational form; sole proprietorships, partnerships, LLCs, and corporations are subject to the tax. Although the tax applies to most kinds of businesses, there are some notable exceptions. Non-profit entities are excluded from the tax. A limited number of other businesses are also excluded from the CAT. Businesses such as certain types of public utilities, insurance companies, financial institutions, and affiliates of insurance companies and financial institutions are subject to other taxes and therefore not considered tax expenditures. Persons that must pay the CAT are persons doing business in Ohio. These persons include, but are not limited to, persons with substantial nexus with Ohio. Substantial nexus with Ohio means a person that owns or uses a part or all its capital in Ohio, holds a certificate of compliance with Ohio laws authorizing it to do business in Ohio, or has a "bright line presence" in Ohio.

A person has "bright line presence" in Ohio for a reporting period and for the remaining portion of the calendar year when the person:

1. Has at least \$500,000 in taxable gross receipts in Ohio during the calendar year.
 2. Has at least \$50,000 in property in the aggregate in Ohio at any time during the calendar year;
 3. Has at least \$50,000 in payroll in Ohio during the calendar year;
 4. Has at least 25 percent of total property, payroll, or gross receipts within Ohio at any time during the calendar year;
- or
5. Is domiciled in Ohio as an individual or for corporate, commercial, or other business purposes.

The tax is paid on an annual or quarterly basis. An annual minimum tax is due by May 10 of each year. The tiers for the minimum tax are shown in the table below. In addition, taxpayers with receipts above \$1 million report and pay the tax on a quarterly basis, with the return and payment due by the 10th day of the second month following the end of the calendar quarter (e.g., taxes for the third quarter of 2017 were required to be filed and paid by November 10, 2017).

COMMERCIAL ACTIVITY TAX

Taxable Gross Receipts	Annual Minimum Tax
\$1 million or less	\$ 150
Greater than \$1 million but less than or equal to \$2 million	\$ 800
Greater than \$2 million but less than or equal to \$4 million	\$2,100
Greater than \$4 million	\$2,600

Tax Base

The CAT is measured by taxable gross receipts on business activities within the state, defined as the total amount realized, without deduction for the cost of goods sold or other expenses incurred, from activities that contribute to the production of gross receipts. Certain types of receipts are excluded from the definition of taxable gross receipts, including, but not limited to, cash discounts, certain types of interest, dividends and capital gains income, income in the form of re-payment of principal of a loan, gifts or charitable contributions, and gross receipts from motor fuel.³²

Tax Rate

The CAT is levied at a rate of 0.26 percent on annual gross receipts more than \$1 million. Each taxpayer pays an annual minimum tax based upon its taxable gross receipts as shown in the table above.

Significant Changes Enacted by the 133rd and 134th General Assembly

Sub. HB 150 (133rd General Assembly) allowed mortgage lenders to exclude their gross receipts from the sale or transfer of mortgage loans and mortgage-backed securities from the Commercial Activities Tax.

Am. Sub. HB 110 (134th General Assembly's FY 2022-2023 Biennial Operating Budget) created an exclusion for dividend payments from the Bureau of Worker's Compensation. Additionally, there was an exclusion for the receipts of a megaproject supplier from the sales of tangible personal property directly to a megaproject operator. Related to the megaproject exclusion, a change to the Job Creation Tax Credit (JCTC) to extend the term of the credit from 15 years to 30 years for megaprojects was instituted.

Sub. HB 687 (134th General Assembly FY 2024-2025 Capital Budget) extends eligibility for a megaproject Job Creation Tax Credit (JCTC) to both the megaproject operator or the supplier for a JCTC for a term of up to 30 years (as authorized under

³² Gross receipts from motor fuel are subject to the petroleum activity tax.

COMMERCIAL ACTIVITY TAX

Am. Sub. HB 110 as mentioned above for any megaproject), but if the supplier does not meet existing law's investment and payroll requirements, its JCTC term may not exceed 15 years. It also amended the exclusion created under Am. Sub. HB 110 for megaproject suppliers. To qualify for the existing megaproject supplier exclusion, the tangible personal property sold to the megaproject operator must be used at the site of the megaproject. It also requires that the sale occur during a period in which the megaproject is subject to a valid JCTC agreement. The bill clarifies that only megaproject suppliers that qualify for the incentive under the general payroll and investment criteria must hold, as a prerequisite of claiming the exclusion, a certificate that validates compliance with the supplier's JCTC agreement. Megaproject suppliers that qualify for the exclusion based only on the bill's new semiconductor wafer manufacturing pathway, but do not meet the payroll or investment thresholds, need not obtain such a certificate. It also creates a new exclusion from gross receipts from the sale of new capital equipment used at the site of a semiconductor wafer manufacturing megaproject if the cost of that equipment exceeds \$100 million. The exclusion applies only if the sale occurs during a period in which the megaproject is subject to a valid JCTC agreement. No CAT exclusion certificate is required to claim the exclusion.

CAT Tax Expenditure Estimates

The following characteristics are designated as meeting the definition of a CAT tax expenditure: (1) any exclusion, deduction, or credit not contained in R.C. 5751.01 or R.C. 5751.011; or (2) any gross receipts exclusion or deduction contained in R.C. 56751.01 or R.C. 5751.011 that benefits a specific class of taxpayers. In all cases, the exclusion, deduction, or credit must produce a tax savings for taxpayers and an associated loss in GRF tax revenue to be considered a tax expenditure.

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of "overlapping" provisions (i.e., another credit, exemption, or deduction available to the taxpayer for the same or similar purpose) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

The portion of the tax attributable to the School District Tangible Property Tax Replacement Fund, Local Government Tangible Property Tax Replacement Fund, and the Revenue Enhancement Fund are not included in these estimates. The estimates of the tax expenditures are based on various sources. Some of the estimates use data reported to ODT while others were generated using secondary sources, such as economic data reported by the Bureau of the Census. Some of the tax expenditure items in this section reflect tax credits issued by the Ohio Development Services Agency and apply to several taxes. These are reported here (as well as some in the **Individual Income Tax** section) as the credits taken against the CAT were most of the credits taken.

COMMERCIAL ACTIVITY TAX

NOTE: See page 6 for description of data source codes.

A. Exclusions and deductions

4.01 Exclusion for the first \$1 million in taxable gross receipts

R.C. 5751.03(C); originally enacted 2005, revised 2013.

The first \$1 million of each taxpayer’s annual taxable gross receipts are not subject to the commercial activity tax rate. Instead, the taxpayer pays an annual minimum tax.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 240.5	\$ 246.5	\$ 251.5	\$ 256.4

Data Source Code: A

4.02 Exclusion for qualified distribution center receipts

R.C. 5751.01(F)(2)(z), 5751.40; originally enacted 2006, revised 2012, 2020.

Purchases made by a qualified Ohio distribution center, and destined for a location outside Ohio, are excluded from the suppliers’ taxable gross receipts. A qualified distribution center is a facility in which the center’s cumulative costs from its suppliers equals or exceeds \$500 million and more than 50 percent of the center’s total cost of qualified property is shipped to a location outside Ohio.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 226.7	\$ 248.1	\$ 264.2	\$ 281.0

Data Source Code: A

COMMERCIAL ACTIVITY TAX

4.03 Exclusion for state and federal cigarette excise tax

R.C. 5751.01(F)(2)(q); originally enacted 2005, amended 2019.

An amount equal to state and federal excise taxes paid for cigarettes and other tobacco products (including vapor products) are excluded from taxable gross receipts from the sale of such cigarettes or other tobacco products by a wholesale dealer, retail dealer, distributor, manufacturer, or seller.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 3.5	\$ 3.5	\$ 3.4	\$ 3.4

Data Source Code: A, B

4.04 Exclusion for real estate brokerage gross receipts that are not retained

R.C. 5751.01(F)(3); originally enacted 2005.

In the case where a taxpayer is acting as a real estate broker, any fees not retained by the broker are not included in the broker's taxable gross receipts.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.7	\$ 2.9	\$ 2.9	\$ 3.0

Data Source Code: C

4.05 Exclusion for state and federal alcoholic beverage excise taxes

R.C. 5751.01(F)(2)(s); originally enacted 2005.

An amount equal to state and federal excise taxes paid for beer, or intoxicating liquor is excluded from the taxable gross receipts from the sale of such beer or intoxicating liquor.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.2	\$ 1.4	\$ 1.5	\$ 1.6

Data Source Code: A, B, C

COMMERCIAL ACTIVITY TAX

4.06 Exclusion for professional employer organizations

R.C. 5751.01(F)(2)(x); originally enacted 2005, amended 2021.

Property, money, and other amounts received by a professional employer organization (PEO), or an alternate employer organization, from a client employer, more than the administrative fee charged by the PEO to the client employer, are excluded from the taxable gross receipts of the PEO.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
	\$ 19.3	\$ 21.1	\$ 22.9	\$ 24.9

Data Source Code: B, C

4.07 Exclusion for motor vehicle transfers

R.C. 5751.01(F)(2)(t); originally enacted 2005.

Receipts realized by a new or used motor vehicle dealer from the sale or transfer of a motor vehicle to another dealer when the sole purpose of the sale or transfer is to meet a specific customer's preference for a motor vehicle are excluded from the taxable receipts of the motor vehicle dealer.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3

Data Source Code: A, B

4.08 Exclusion for certain services to financial institutions

R.C. 5751.01(F)(2)(u); originally enacted 2005.

Receipts from a financial institution for certain services provided to the financial institution, if the financial institution and the entity providing those services share a common ownership, are excluded from taxable gross receipts.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	Minimal	Minimal	Minimal	\$ 1.0

Data Source Code: B

COMMERCIAL ACTIVITY TAX

4.09 Exclusion for receipts from the sale of agricultural commodities by an agricultural commodity handler

R.C. 5751.01(F)(2)(ii); originally enacted 2013.

Receipts from the sale of agricultural commodities are excluded from taxable gross receipts of licensed agricultural grain handlers.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 3.8	\$ 3.2	\$ 3.1	\$ 3.0

Data Source Code: B, C

4.10 Exclusion for qualified supply chain receipts

R.C. 5751.01(F)(2)(jj), 5751.42; originally enacted 2015, amended 2016, 2020.

Receipts from members of a qualified integrated supply chain are excluded from taxable gross receipts.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 3.2	\$ 3.3	\$ 3.4	\$ 3.6

Data Source Code: A, B, C

4.11 Exclusion for certain new capital equipment for semiconductor megaprojects

R.C. 5751.01(F)(2)(pp), 5751.091; originally enacted 2022.

Receipts from the sale of each new piece of capital equipment that has a cost more than \$100 million and that is used at the site of a megaproject are excluded from taxable gross receipts.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 0.0	\$ 0.0	Minimal	\$ 14.8

Data Source Code: C

COMMERCIAL ACTIVITY TAX

4.12 Exclusion for the principal balance of mortgage-backed securities or mortgage loans sold by a mortgage lender

R.C. 5751.01(F)(2)(mm); originally enacted 2021.

For receipts the sale of a mortgage-backed security or a mortgage loan by a mortgage lender holding a valid certificate of registration or by a person that is a member of the mortgage lender’s consolidated elected taxpayer group, the amount equal to the principal balance of the mortgage loan is excluded from the definition of taxable gross receipts.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 4.2	\$ 4.7	\$ 5.1	\$ 5.7

Data Source Code: A, B

B. Tax credits

4.13 Credit for increased research and development³³

R.C. 5726.56, 5733.351, 5751.51; originally enacted 2001, revised 2005, 2013.

Taxpayers may claim a non-refundable credit equal to 7.0 percent of the increased qualified research and development expenses incurred in Ohio.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 52.1	\$ 55.5	\$ 58.9	\$ 62.4

Data Source Code: A, B

³³ This credit was originally applicable to the corporate franchise tax under R.C. 5733.351. This tax has been phased out. The credit is now applicable to both CAT and to FIT and the revenue estimates reflect the amounts attributable to both.

COMMERCIAL ACTIVITY TAX

4.14 Credit for job creation³⁴

R.C. 122.17, 5725.32, 5726.50, 5729.032, 5736.50, 5747.058(A), 5751.50(A); originally enacted 1993, revised 2005, 2011, 2013, 2014, 2015, 2017, 2021, 2022.

A qualifying business may be granted a refundable tax credit for job creation through an agreement with the Ohio Tax Credit Authority (OTCA). The credit is an agreed upon percentage of a taxpayer’s “excess payroll,” which is the taxpayer’s “Ohio employee payroll” less “baseline payroll.” “Ohio employee payroll” is compensation paid by an employer that is subject to Ohio income tax withholding requirements. “Baseline payroll” means “Ohio employee payroll,” except the measurement period is the 12 months immediately preceding the agreement (i.e., date OTCA approved the taxpayer’s application or the date OTCA received a recommendation from the Chief Investment Officer of JobsOhio, whichever occurs first).

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 96.3	\$ 104.0	\$ 110.7	\$ 116.6

Data Source Code: A, B, C

4.15 Credit for job retention³⁵

R.C. 122.171, 5725.98, 5726.50, 5729.98, 5736.50, 5747.058(B), 5751.50(B); originally enacted 2003, revised 2005, 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2019, and 2020.

A qualifying business may be granted a non-refundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a an agreed upon percentage of the taxpayer’s “Ohio employee payroll.”

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 28.8	\$ 31.1	\$ 33.1	\$ 34.9

Data Source Code: A, B, C

³⁴ This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (if the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.

³⁵ This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (if the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.

COMMERCIAL ACTIVITY TAX

4.16 Credit for net operating loss carryforwards and other deferred tax assets

R.C. 5751.53; originally enacted 2005.

Beginning in calendar year 2010 and for each calendar year beginning prior to January 1, 2030, qualifying taxpayers may claim a non-refundable tax credit equal to 8.0 percent of the taxpayer's corporate franchise tax net operating loss carry-forwards and other deferred tax items.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 12.3	\$ 16.8	\$ 17.4	\$ 18.0

Data Source Code: A, C

4.17 Research and development loan program credit³⁶

R.C. 166.21, 5733.352, 5747.331, 5751.52; originally enacted 2003, revised 2005, 2013, and 2014.

Borrowers in the Research and Development Loan Fund Program are eligible for non-refundable and limited transferable credits against the commercial activity tax or personal income tax for qualified payments made on loans issued from the fund by the Director of Development Services.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 0.9	\$ 1.5	\$ 1.5	\$ 1.5

Data Source Code: A

C. Tax expenditures with revenue impact below \$1 million

4.18 Exclusion for tax differential of CAT/PAT for dyed diesel for railroads

R.C. 5751.01(F)(2)(kk); originally enacted 2015.

4.19 Exclusion for pre-1972 trusts

R.C. 5751.01(E)(7); originally enacted 2005.

4.20 Exclusion for horse racing taxes and purses

R.C. 5751.01(F)(2)(y); originally enacted 2005.

³⁶ The credit is applicable to the individual income tax as well as the commercial activity tax. It is also still referred to in corporate franchise tax law, however as that tax has been repealed, no further credits may be taken against it.

COMMERCIAL ACTIVITY TAX

- 4.21 Exclusion for receipts from the sale of uranium from a qualifying uranium enrichment zone**
R.C. 5751.01(F)(2)(gg), 5751.41; originally enacted 2011, Revised 2020.
- 4.22 Exclusion for receipts realized by an out-of-state disaster business**
R.C. 5703.94, 5751.01(F)(2)(ll); originally enacted 2018.
- 4.23 Exclusion for receipts realized from administering anti-neoplastic drugs**
R.C. 5751.01(F)(2)(v); originally enacted 2005.
- 4.24 Exclusion for receipts of a megaproject supplier**
R.C. 122.17, 5751.01(F)(2)(oo), 5751.052, 5751.091; originally enacted 2021, amended 2022.
- 4.25 Exclusion for Bureau of Worker's Compensation dividend payments**
R.C. 5751.01(F)(2)(nn); originally enacted 2021, amended 2022.

PUBLIC UTILITY EXCISE TAX

The public utility excise tax (PUET) is levied on companies classified by statute as public utilities. Originally enacted in 1894, the present tax structure was established in 1911. Historically, electric, natural gas, and local telephone companies have accounted for the bulk of the total PUET revenue collections. However, in 2001, electric and rural electric companies became subject to the kilowatt-hour tax and the corporate franchise tax (eventually replaced by the commercial activity tax) and these entities no longer were subject to the PUET. Similarly, in 2005, telephone companies were no longer subject to the PUET as they became subject to the corporate franchise tax and their services became subject to the sales tax.

Taxpayer

Taxpayers include heating, pipeline (excluding businesses primarily consisting of producing or gathering natural gas – rather than supplying or distributing natural gas to consumers – or producing, refining, or marketing petroleum products), water transportation, waterworks, and natural gas companies.

Tax Base

The PUET is applied to the gross receipts of natural gas, pipeline, heating, water transportation, and waterworks companies.³⁷

Tax Rate

The tax rate for the PUET for most public utilities is 4.75 percent, except that pipeline companies' rate is 6.75 percent. There is a minimum tax of \$50 for each tax year.

Significant Changes Enacted by the 134th General Assembly

There were no significant changes affecting the public utility excise tax.

³⁷ In 2001, natural gas companies began to pay the PUET on a different schedule (Am. Sub. S.B. 215, 123rd General Assembly). Additionally, these companies became subject to the natural gas consumption tax (also known as "MCF Tax") to mitigate the impact of a reduction in their tangible personal property tax assessment rates (Am. Sub. S.B. 287, 123rd General Assembly).

PUBLIC UTILITY EXCISE TAX

Public Utility Excise Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The report reflects any possible “overlapping” effect (i.e., another credit, exclusion, or exemption available to the taxpayer) that effectively reduces the revenue consequences associated with the tax expenditure.

Data used to estimate the expenditures were primarily derived from PUET returns filed with ODT and other departmental sources. Data from the U.S. Census Bureau were also used as a basis for some estimates.

NOTE: See page 6 for description of data source codes.

A. Exemptions, credits, and deductions

5.01 Exemption for municipal utilities and non-profit waterworks

R.C. 5727.05; originally enacted 1896, revised 1999.

Municipal utilities and non-profit corporations that are engaged in the treatment, distribution, and sale of water to consumers are exempt.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 96.4	\$ 98.0	\$ 99.8	\$ 101.5

Data Source Code: A, B, C

5.02 Exemption for sales to other public utilities for resale

R.C. 5727.33(B)(4); originally enacted 1961, revised 2004.

Sales to other public utilities are exempt when the services are to be resold by that public utility.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 4.8	\$ 4.8	\$ 4.8	\$ 4.8

Data Source Code: A

B. Tax expenditures with revenue impact below \$1 million

5.03 \$25,000 deduction from gross receipts for each public utility company

R.C. 5727.33; originally enacted 1934, revised 2004.

KILOWATT-HOUR TAX

KILOWATT-HOUR TAX

Am. Sub. S.B. 3 (123rd General Assembly) restructured the electric utility industry in Ohio. Prior to this, electric companies had been subject to the public utility excise tax, and they were subject to higher assessment rates on their tangible personal property than general taxpayers. The Act removed electric and rural electric companies from the public utility excise tax, reduced the assessment rates on their tangible personal property, made them subject to the corporate franchise tax (eventually replaced by the commercial activity tax) and created the kilowatt-hour tax. The kilowatt-hour tax is levied on electric distribution companies and is measured by the end-user's consumption of electricity as measured in kilowatt-hours. Qualifying large end-users of electricity may elect to self-assess the tax based on the number of kilowatt-hours consumed at a tax rate structure specific only to self-assessors. The kilowatt-hour tax became effective in May 2001.

Tax Base

The tax base for the kilowatt-hour tax is the number of kilowatt-hours distributed to the end-user by electric distribution companies. The base for self-assessors is the number of kilowatt-hours consumed.

Tax Rate

Kilowatt-hour tax rate:

Kilowatt-Hours Distributed to the End-User Per Month	Rate Per Kilowatt-Hour
Up to 2,000 Kilowatts	\$0.00465
2,001-15,000 Kilowatts	\$0.00419
Over 15,000 Kilowatts	\$0.00363

Self-assessor option: End-users above 45 million kilowatt-hours in annual consumption may register to self-assess the tax. Self-assessors pay \$0.00257 on the first 500 million kilowatt-hours consumed and \$0.001832 per kilowatt-hour consumed more than 500 million.

Significant Changes Enacted by the 134th General Assembly

Am. Sub. HB 110 eliminated from the definition of “electric distribution company” an “end-user of electricity in this state who self-generates electricity that is used directly by that end-user on the same site that the electricity is generated.” In its place, an expansion to the definition of a qualified end-user was created for an end-user if the electricity is generated by an electric generation facility

KILOWATT-HOUR TAX

that is primarily dedicated to providing electricity to the electric-consuming facilities of the end user, that is sized so as to not exceed 100% of the customer-generator's annual requirements for electric energy at the time of interconnection, that is physically interconnected and integrated with the electric-consuming facilities of the end user, and that is located on the same property on which the end user's electric-consuming facilities are situated or on property that is contiguous to the property on which the end user's electric-consuming facilities are situated. Additionally, an exemption for kilowatt hours of electricity generated by a self-generator if the electric generating facility is sized to as not to exceed 100% of the customer generator's annual requirements of electric energy at the time of interconnection. Due to data issues and other concerns, the exemption for qualified end-users and the exemption for electricity generated by a self-generating facility are combined for the purposes of this report.

Kilowatt-Hour Tax Expenditure Estimate

Data used to estimate the kilowatt-hour tax expenditures are primarily from return filings with ODT, industry data and data from the U.S. Energy Information Agency (U.S. Department of Energy).

A. Exemptions, credits, and deductions

6.01 Exemption for qualified end-users and certain self-generators³⁸

R.C. 5727.81(D(1), (2)); originally enacted 1999, revised 2009, 2017, 2021.

Exempts from the kilowatt hour tax the distribution of any kilowatt hours of electricity to certain end-users and for certain self-generators of electricity that meet conditions specified in Ohio law.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 5.6	\$ 6.2	\$ 5.6	\$ 5.7

Data Source Code: A, C

³⁸ In order not to risk disclosure of confidential taxpayer information, several small kilowatt-hour tax exemptions are included here, as they are all "qualified end-users." These include: electricity distributed to the federal government, electricity distributed to an end-user located at a federal facility that uses electricity for the enrichment of uranium, an end-user of electricity that uses more than 3 million kilowatt-hours of electricity at one manufacturing location in this state for a calendar day for use in a qualifying manufacturing process, electricity distributed to a manufacturer who is using the electricity in a qualified chlor-alkali process to manufacture chlorine and other chemicals, and electricity distributed to a qualified regeneration facility. Additionally, added to this tax expenditure is the exemption for kilowatt hours of electricity generated by a self-generator if the electric generating facility is sized to as not to exceed 100% of the customer generator's annual requirements of electric energy at the time of interconnection.

INSURANCE PREMIUM TAXES

The domestic insurance tax was created in 1830 with a 4.0 percent property tax on dividends paid by insurance companies. In 1933, the tax was changed to the lesser of 0.2 percent on capital and surplus or 1.67 percent of gross premiums. The franchise tax rate on gross premiums was increased to 2.5 percent in 1971. The tax rate on surplus and capital was increased to 0.6 percent in 1981.

The foreign insurance premium tax was also created in 1830, with a 4.0 percent property tax on profits from premiums. In 1852, the value of gross premiums (rather than net profits from premiums) was subject to the tax. In 1888, a supplemental tax was levied on gross premiums, and when added to the property tax, it produced an effective tax rate of 2.5 percent on gross premiums. A direct 2.5 percent gross premiums tax was created in 1902.

Am. Sub. H.B. 215 (122nd General Assembly) made numerous changes to the domestic and foreign insurance taxes, including changes to the rates and bases of the two taxes. These changes were fully phased in by tax year 2003, at which time the two taxes share the same gross premium rate (1.4 percent). The bill also established a small insurer's tax credit, along with a minimum tax of \$250.

Taxpayers

The tax is paid by insurance companies organized under Ohio law ("domestic" insurance companies) and those not organized under Ohio law ("foreign" insurance companies based out of state).

Tax Base

The tax base for domestic and foreign insurance companies is the gross premiums covering risks in Ohio, less specified deductions.

Tax Rate

Domestic and foreign insurers are taxed at 1.4 percent of gross premiums. Foreign insurers are also subject to retaliatory provisions. However, health insurers are instead subject to a 1.0 percent rate. Fire insurance is subject to an additional 0.75 percent rate on gross premiums.

INSURANCE PREMIUM TAXES

Significant Changes Enacted by the 133rd and 134th General Assembly

Sub. SB. 39 (133rd General Assembly) created the premium tax credit for capital contributions to transformational mixed-use development projects. Am. Sub. HB 110 (134th General Assembly's FY 2022-2023 Biennial Operating Budget) amended this credit. Additionally, Am. Sub. HB 110 amended the credit for loans or investments in certified rural business growth funds.

Insurance Premium Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. Data for these tax expenditures are obtained from the Ohio Department of Insurance and the Ohio Life and Health Guaranty Association. Additionally, certain business tax credits that are applicable to multiple taxes are reported in the tax where most of the revenue impact is realized. Please see sections for the **Individual Income Tax**, **Financial Institutions Tax**, and the **Commercial Activity Tax** for those estimates.

NOTE: See page 6 for descriptions of data source codes.

A. Credits and deductions

7.01 Deduction for premiums received from qualified small business alliances

R.C. 1731.07; originally enacted 1993, revised 1997.

An insurer may deduct amounts received from underwriting a health care plan under the qualified small employer health care alliance program. The deduction is allowed on premiums or other charges received from, or on behalf of, an enrolled small employer and eligible employees and retirees covered by the health benefit plan.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 33.2	\$ 33.3	\$ 33.4	\$ 33.5

Data Source Code: B

INSURANCE PREMIUM TAXES

7.02 Credit for small insurers

R.C. 5725.98, 5729.031, 5729.98; originally enacted 1999.

A foreign or domestic insurance company or insurance company group, with less than \$75 million in premiums sold in all states by the company or group, may take a tax credit of up to a maximum of \$200,000 against its foreign or domestic insurance premium tax liability.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.2

Data Source Code: B

7.03 Credit for loans or investments in certified rural business growth funds

R.C. 122.151, 122.152, 5725.98, 5729.98; originally enacted 2018, 2021.

A non-refundable credit against the domestic and foreign insurance premium taxes are allowed for loans or investments into certified business growth funds.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 9.9	\$ 11.8	\$ 10.8	\$ 20.8

Data Source Code: B

7.04 Credit for contributions of capital to transformational mixed-used development projects

R.C. 122.09, 5725.35, 5729.18; originally enacted 2021, amended 2021.

A non-refundable credit against the domestic and foreign insurance premium taxes are allowed for capital contributions to transformational mixed-use development projects.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 0.0	\$ 0.0	\$ 48.3	\$ 87.0

Data Source Code: B

B. Tax expenditures with revenue impact below \$1 million

- 7.04 Ohio Life and Health Guaranty Association contributions credit**
R.C. 3956.20, 5725.98, 5729.98; originally enacted 1989.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

The excise tax on cigarettes was first levied in 1931. The tax rate increased from its original \$0.01 per pack to \$0.15 per pack in 1971. The rate was reduced to \$0.14 in 1981 as it became subject to the sales and use tax. The rate was increased to \$0.24 per pack in 1993 and was increased to \$0.55 per pack in 2002 and to \$1.25 in 2005. In 2015, the current tax rate of \$1.60 (80 mills per cigarette, translating into \$0.08 per cigarette) per pack became effective.

Other tobacco products include cigars, chewing tobacco, rolling tobacco, smoking tobacco, snuff, little cigars, premium cigars, and similar tobacco products.³⁹ The excise tax on other tobacco products was levied beginning in 1993. The current rate is 17.0 percent on the wholesale price. However, the tax rate for little cigars is 37.0 percent of wholesale price and for premium cigars it is a maximum amount of \$0.50 plus an inflationary factor set by ODT each year. For FY 2019, that rate for premium cigars is \$0.51 per cigar.

Am. Sub. H.B. 166 (FY 2022-FY 2023 Biennial Operating Budget) created a tax on vapor products.⁴⁰ The tax became effective October 1, 2019 and is based on volume and is given below.

Taxpayer

The cigarette tax is paid by wholesale dealers, meaning those who purchase cigarettes directly from manufacturers, producers, importers, or other wholesalers for stamping and then sell cigarettes to retailers for the purpose of resale. The Other Tobacco Tax (OTP) is paid by distributors, meaning all manufacturers, wholesalers, and retailers who are licensed as OTP distributors. An excise tax is levied on the use, consumption, or storage for consumption of cigarettes and OTP by consumers in Ohio if the tax has not already been paid.

³⁹ “Little cigars” are defined in R.C. 5743.01(P) as “(A)ny roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco.” “Premium cigars,” defined in R.C. 5743.01(Q), are defined as “ (A)ny roll for smoking, other than cigarettes or little cigars,” that is made wholly or in part of tobacco and that has all of the following characteristics: binder and wrapper consists entirely of leaf tobacco, roll contains no filter or tip, nor any mouthpiece consisting of a material other than tobacco, and the weight of one thousand such rolls is at least six pounds.”

⁴⁰ “Vapor products” are defined in R.C. 5743.01(T) as liquid solution or other substance that (1) contains nicotine and (2) is depleted as it is used in an electronic smoking product. “Vapor product” does not include any solution or substance regulated as a drug, device, or combination product under Chapter V of the “Federal Food, Drug, and Cosmetic Act,” 21 U.S.C. 301, et seq.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

Tax Base

The cigarette tax applies to the sale, use, consumption, or storage of cigarettes in Ohio. It is a tax per cigarette. The excise tax on other tobacco products applies to the receipt or import of other tobacco products for resale. While the tax on most other tobacco products is based on wholesale price, the tax for premium cigars is based on a maximum amount per premium cigar. The tax base for vapor is volume. “Vapor volume” is defined as one-tenth of one milliliter if the vapor product is sold in liquid form or one-tenth of one gram of vapor product if it is sold in something other than liquid form.

Tax Rate

The cigarette tax rate is \$0.08 per cigarette (translating into \$1.60 per package of 20 cigarettes). The other tobacco products tax is 17.0 percent of the wholesale price, except for little cigars, which is taxed at 37.0 percent, and premium cigars are taxed at a maximum of \$0.50 per premium cigar, indexed for inflation. Currently, for FY 2019, the rate for premium cigars is \$0.51. For vapor products, the tax rate is \$0.01 per one-tenth of one milliliter if the vapor product is sold in liquid form or \$0.01 per one-tenth of one gram of vapor product if it is sold in something other than liquid form.

Significant Changes Enacted by the 134th General Assembly

There were no significant changes affecting public utility excise taxes.

Cigarette and Other Tobacco Products Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure and are based primarily on tax returns filed with ODT.

NOTE: See page 6 for descriptions of data source codes.

CIGARETTE AND OTHER TOBACCO PRODUCTS TAXES

A. Credits

8.01 Discount for cigarette tax stamps

R.C. 5743.05; originally enacted 1934, revised in 2003, 2005, 2006, 2014, 2015.

Cigarette excise taxpayers are eligible to receive a discount when purchasing cigarette excise tax stamps or meter impressions as a commission for affixing and cancelling the stamps or meter impressions. The value of this discount shall not be less than 1.8 percent or more than 10.0 percent of the face value of the tax stamps and meter impressions, the exact rate set by rule.⁴¹ Cigarette excise taxpayers shall not receive this discount on payments made when filing a monthly or semi-monthly return, but when they purchase the stamps.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 13.7	\$ 13.3	\$ 12.9	\$ 12.5

Data Source Code: B

8.02 Discount for timely payment of other tobacco products excise tax

R.C. 5743.52(A); originally enacted 1934, revised 2000, 2014, 2019.

Wholesalers and retailers of other tobacco products and vapor products are eligible for a 2.5 percent discount for the timely payment of their other tobacco product excise tax liability.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.6	\$ 2.7	\$ 2.8	\$ 3.0

Data Source Code: A

⁴¹ Currently, the rate is 1.8 percent.

ALCOHOLIC BEVERAGES TAXES

ALCOHOLIC BEVERAGE TAXES

In 1933, the year Prohibition was repealed, the Ohio Department of Liquor Control was created and the General Assembly enacted tax levies on beer, wine, and other non-spirituous beverages. A spirituous liquor tax was added a year later. As of 1997, the Department of Liquor Control became a division of the Ohio Department of Commerce. The Division of Liquor Control administers Ohio's tax on spirituous liquor (i.e., intoxicating liquor with more than 21.0 percent of alcohol by volume). ODT administers Ohio's taxes on all other alcoholic beverages.

Taxpayer

The alcoholic beverage taxes are levied on manufacturers, bottlers and canners, wholesale dealers, distributors, and retail dealers.

Tax Base

Sales by volume of the following non-spirituous beverages: beer, wine, mixed beverages, and cider.

Tax Rates

Type of Product	Code Section	Measure	Rate
Beer in bottles or cans (12 ounces or less)	4301.42	per ounce	\$ 0.14
Beer in bottles or cans (more than 12 ounces)	4301.42	6 oz. or fraction thereof	\$ 0.0084
Wine (containing 4-14% ABV)	4301.43-.432	gallon	\$ 0.32
Wine (containing 14-21% ABV)	4301.43-.432	gallon	\$ 1.00
Vermouth	4301.43-.432	gallon	\$ 1.10
Sparkling wine	4301.43-.432	gallon	\$ 1.50
Cider	4301.43	gallon	\$ 0.24
Mixed beverages	4301.43	gallon	\$ 1.20
Beer in barrels	4305.01	31 gallons	\$ 5.58

Significant Changes Enacted by the 134th General Assembly

Am. Sub. HB 110 (134th General Assembly's FY 2022-2023 Biennial Operating Budget) eliminated the small brewer's credit and in its place established a tax exemption for manufacturers that produce up to 9.3 million gallons per calendar year. The bill also created separate permit (S-2) for persons inside or outside Ohio that manufacture 250,000 gallons or more of wine annually. These permit holders may ship wine directly

ALCOHOLIC BEVERAGES TAXES

to personal consumers. The small wine producer credit is extended to these permit holders.

Alcoholic Beverage Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. Various data sources were used to derive the estimates. Most of the estimates were based upon information taken from returns filed with ODT.

NOTE: See page 6 for descriptions of data source codes.

A. Credits

9.01 Advanced payment credit

R.C. 4303.33; originally enacted 1963; amended 2016, 2021

Beer permit holders are eligible to claim a 3.0 percent credit on advance payments made on or before the 18th of the month for which the tax is paid. In addition, a discount is offered on the balance of the tax due (after the advanced payment) if received by the 10th day of the following month. This additional discount is the lesser of 0.3 percent of the advanced payment or 3.0 percent of the net amount of tax due after the deduction of the advanced payment. Wine and mixed beverage permit holders are eligible to claim a 3.0 percent credit on payments made on or before the 18th day of the month for the previous month's liability.

	<i>(Dollars in millions)</i>			
<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5

Data Source Code: A

ALCOHOLIC BEVERAGES TAXES

9.02 Small brewer's credit

R.C. 4303.332; originally enacted 1981, revised 2002, 2013, 2021.

Licensed Ohio beer manufacturers whose total production of beer, regardless of production location, is less than 31 million gallons per year are eligible for a credit (or refund) against the state's alcoholic beverages tax. The amount of the credit is equal to the excise tax paid on the beer/malt beverages distributed in Ohio with a maximum credit up to 9.3 million gallons. The taxpayer receives the credit in the following year.

(Dollars in millions)

<i>Estimate:</i>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8

Data Source Code: A

B. Tax expenditures with revenue impact below \$1 million

9.03 Exemption for sacramental wine

R.C. 4301.23; originally enacted 1937.

9.04 Exemption for small wine producers

R.C. 4303.333; originally enacted 1982, revised 2016, 2021.