



Property Tax – Tangible Personal Property

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

During the 2009 tax year, taxes levied on tangible personal property totaled approximately \$55.1 million on a taxable value of approximately \$632.0 million. Tangible personal property replacement payments to schools and local governments (see **Special Provisions**) amounted to \$1.6 billion in fiscal year 2009.

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

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

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

Taxpayer

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

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

Tax Base

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

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

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

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

Rates

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

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

The rates applied to tangible personal property are the same as the rates applied to real estate and public utility property. However, gross taxes levied on real property are reduced when real property values increase, while taxes levied against tangible property are not reduced. The statewide average tax rate on tangible property in 2008 was 81.88 mills.

Exemptions and Exceptions

Exemptions include:

- the first \$10,000 of otherwise taxable value for each company. Since the 2004 tax year, taxpayers with a taxable value of less than \$10,000 were no longer required to file a return. A phase-out of the reimbursement to local subdivisions for the revenues lost due to this exemption began in fiscal year 2004. The phase-out ended in FY 2009 (R.C. 5709.01).

- property not used in business – for example, property owned and not used for gain by any level of government, or schools, churches or colleges (R.C. 5701.08, 5709.07, 5709.08, and 5709.12).
- registered motor vehicles and licensed aircraft (R.C. 5701.03 and 5709.01).
- personal property used in agriculture (R.C. 5701.08).
- patterns, jigs, dies, and drawings used in business which are held for use and not for sale (R.C. 5701.03).
- certified air, water, and noise exempt facility equipment (R.C. 5709.20–5709.28).
- tangible personal property of domestic and foreign insurance companies, financial institutions, and dealers in intangibles (except property held for the purpose of leasing to others) (R.C. 5725.25 and 5725.26).
- machinery and equipment while under installation or construction in a plant or facility and not capable of operation (R.C. 5701.08).
- certified energy conversion facilities, meaning property used to convert a commercial or industrial facility from the use of natural gas or fuel oil to any other fuel except propane, butane, or naphtha (R.C. 5709.25).
- certified thermal efficiency improvement facilities, meaning property used for recovery and use of waste heat or steam produced in generating electricity, heat generation, lighting, refrigeration, or space heating (R.C. 5709.25).
- certified solid waste energy conversion facilities, meaning property used to convert solid waste from industrial operations into energy for some useful purpose (R.C. 5709.25).
- inventories held in a foreign trade zone (R.C. 5709.44).
- property in a public recreational facility used for athletic events, or by a major league athletic team or a class A to class AAA minor league baseball team, if certain criteria are met (R.C. 5709.081).
- inventories shipped from outside Ohio, held in storage only, and shipped back out of Ohio (R.C. 5701.08 and 5711.22).
- leased property used by the lessee exclusively for agricultural purposes (R.C. 5701.08).
- new and used machinery, equipment, and accessories designed and built for agricultural use, while in the inventory of a merchant (R.C. 5701.08).
- property used in the production of grape juice or wine and grape juice and wine inventory not held in labeled containers in which it will be sold (R.C. 5709.55).
- manufacturing machinery and equipment first placed in service in Ohio on or after Jan. 1, 2005 (R.C. 5711.16 and 5711.22).

Special Provisions

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

Schools and local governments are reimbursed for the loss of tax revenue due to the elimination of the tax on tangible personal property. The commercial activity tax is the primary

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

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

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

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

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

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

Filing and Payment Dates

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

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

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

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

Sept. 20 – Inter-county corporations pay total tax liability by this date, and the second half of tax is also due from all other taxpayers. If an emergency occurs (as defined in R.C.

323.17), this due date may be extended for up to 30 days by the county treasurer.

Disposition of Revenue

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

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total voted millage levied by each or as apportioned by the county budget commission (for millage inside the 10-mill limit).

During 2009, school districts received 71 percent of the total revenue. Municipalities received 5 percent, townships received 5 percent, and counties and special districts collectively received 19 percent.

Administration

(R.C. 5711.11, 5711.13)

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

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

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

Ohio Revised Code Citations

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

Table 1

Assessed Value of Tangible Personal Property and Taxes Levied, Tax Years 2005-2009					
Tax Year	Value of Tangible Property	Taxes Levied	Annual Change Value	Annual Change Taxes	Average Tax Rate (in mills)
2005	\$21,330,431,245	\$1,695,986,799	30.0%	2.7%	79.51
2006	16,666,716,199	1,345,184,777	-21.9%	-20.7%	80.71
2007	12,271,111,018	1,002,333,421	-26.4%	-25.5%	81.68
2008	6,592,078,011	539,740,043	-46.3%	-46.2%	81.88
2009	631,973,540	55,051,474	-90.4%	-89.8%	87.11

Table 2

Taxes Levied on Tangible Personal Property by Subdivision, Tax Years 2005-2009						
Tax Year	Taxes Levied by Subdivision				Delinquent Taxes from Prior Years	Total Taxes and Delinquencies
	City and Village	School District ¹	Township	County ²		
2005	\$91,706,105	\$1,219,108,372	\$66,583,844	\$318,588,478	\$478,564,314	\$2,174,551,113
2006	72,561,973	963,554,947	54,885,158	254,182,699	464,677,698	1,809,862,475
2007	53,546,471	717,690,030	42,329,372	188,767,548	322,319,603	1,324,653,024
2008	28,538,252	385,853,987	24,375,012	100,972,792	410,272,854	950,012,897
2009	2,987,626	39,058,367	2,609,151	10,396,330	323,757,242	378,808,716

1 Includes Joint Vocational Schools.
 2 Includes special districts.

Table 3

Listing Percentages Applied to True Value of Tangible Personal Property to Determine Taxable Value, Tax Years 1999-2010						
Tax Year	Manufacturing Machinery and Equipment	Manufacturers'¹ Inventories	Merchants' Inventories	Electrical Equipment¹	Telephone and Inter-exchange Telecommunications Property³	All Other Property²
1999-2001	25.00%	25.00%	25.00%	88.00%	--	25.00%
2002	25.00	24.00	24.00	88.00	--	25.00
2003-2005	25.00	23.00	23.00	88.00	--	25.00
2006	18.75	18.75	18.75	85.00	--	18.75
2007	12.50	12.50	12.50	85.00	20.00	12.50
2008	6.25	6.25	6.25	85.00	15.00	6.25
2009	0.00	0.00	0.00	85.00	10.00	0.00
2010	0.00	0.00	0.00	85.00	0.05	0.00

¹ Property used in generating electricity to others (except utilities).

² Includes furniture and fixtures.

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

Table 4

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2009							
County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)	County	Value of Taxable Property	Current Taxes Levied	Average County Rate (in mills)
ADAMS	\$955,640	\$47,957	50.18	LOGAN	\$2,324,880	\$144,823	62.29
ALLEN	5,177,060	300,569	58.06	LORAIN	13,045,070	1,047,285	80.28
ASHLAND	2,618,720	191,355	73.07	LUCAS	24,475,780	2,340,672	95.63
ASHTABULA	11,712,830	878,340	74.99	MADISON	2,585,800	172,669	66.78
ATHENS	2,946,520	233,081	79.10	MAHONING	10,544,900	875,407	83.02
AUGLAIZE	3,121,590	197,017	63.11	MARION	2,514,560	163,648	65.08
BELMONT	2,632,340	165,504	62.87	MEDINA	7,321,770	670,259	91.54
BROWN	1,543,250	80,764	52.33	MEIGS	1,019,140	48,379	47.47
BUTLER	15,192,710	1,145,661	75.41	MERCER	1,869,190	107,630	57.58
CARROLL	1,021,670	55,660	54.48	MIAMI	3,693,300	252,104	68.26
CHAMPAIGN	2,093,960	143,888	68.72	MONROE	697,140	35,143	50.41
CLARK	5,626,190	419,585	74.58	MONTGOMERY	27,723,810	2,879,232	103.85
CLERMONT	8,421,700	711,983	84.54	MORGAN	599,130	32,252	53.83
CLINTON	2,205,850	116,976	53.03	MORROW	2,498,940	141,921	56.79
COLUMBIANA	3,799,380	217,894	57.35	MUSKINGUM	2,935,810	198,253	67.53
COSHOCTON	1,483,100	91,179	61.48	NOBLE	575,840	29,256	50.81
CRAWFORD	1,650,210	122,638	74.32	OTTAWA	2,425,300	164,554	67.85
CUYAHOGA	90,732,150	9,695,853	106.86	PAULDING	N/A	N/A	N/A
DARKE	1,803,230	93,803	52.02	PERRY	989,110	61,525	62.20
DEFIANCE	2,456,980	147,768	60.14	PICKAWAY	2,444,770	146,366	59.87
DELAWARE	13,240,530	1,060,797	80.12	PIKE	1,254,630	72,318	57.64
ERIE	4,345,990	369,665	85.06	PORTAGE	7,256,290	672,031	92.61
FAIRFIELD	3,749,920	291,416	77.71	PREBLE	1,896,100	99,297	52.37
FAYETTE	1,541,010	88,435	57.39	PUTNAM	1,689,560	85,483	50.60
FRANKLIN	77,731,440	8,135,538	104.66	RICHLAND	5,466,970	437,502	80.03
FULTON	2,144,810	158,710	74.00	ROSS	7,598,130	465,796	61.30
GALLIA	1,185,480	55,259	46.61	SANDUSKY	2,540,400	151,063	59.46
GEAUGA	6,952,150	681,298	98.00	SCIOTO	2,775,230	170,276	61.36
GREENE	7,148,080	559,743	78.31	SENECA	2,815,440	177,682	63.11
GUERNSEY	1,805,720	106,647	59.06	SHELBY	1,880,520	112,947	60.06
HAMILTON	61,887,490	5,894,798	95.25	STARK	14,974,290	1,179,742	78.78
HANCOCK	2,738,190	166,375	60.76	SUMMIT	32,666,120	3,015,129	92.30
HARDIN	1,323,370	74,760	56.49	TRUMBULL	9,580,860	736,434	76.87
HARRISON	640,420	39,208	61.22	TUSCARAWAS	3,503,900	235,672	67.26
HENRY	2,291,530	167,374	73.04	UNION	2,297,480	176,378	76.77
HIGHLAND	4,013,130	184,365	45.94	VAN WERT	1,196,680	80,772	67.50
HOCKING	1,040,240	63,200	60.76	VINTON	902,420	42,638	47.25
HOLMES	1,276,080	73,783	57.82	WARREN	11,619,070	986,093	84.87
HURON	2,564,190	153,896	60.02	WASHINGTON	2,199,500	121,065	55.04
JACKSON	1,309,910	59,348	45.31	WAYNE	5,635,940	425,749	75.54
JEFFERSON	2,416,610	146,419	60.59	WILLIAMS	2,018,690	143,398	71.04
KNOX	3,569,000	228,390	63.99	WOOD	6,708,210	548,997	81.84
LAKE	10,940,850	995,982	91.03	WYANDOT	830,150	44,226	53.28
LAWRENCE	1,622,380	61,952	38.19				
LICKING	7,709,120	484,577	62.86	TOTAL	\$631,973,540	\$55,051,474	87.11

Table 5

Tangible Personal Property Tax -Tax Replacement Payments by County, Fiscal Year 2010			
County	Tax Replacement Payments ¹	County	Tax Replacement Payments ¹
ADAMS	\$913,964	LOGAN	\$9,373,413
ALLEN	19,227,530	LORAIN	33,795,193
ASHLAND	5,993,142	LUCAS	72,758,113
ASHTABULA	15,679,109	MADISON	5,111,507
ATHENS	3,367,956	MAHONING	24,345,040
AUGLAIZE	7,551,959	MARION	8,106,709
BELMONT	4,476,628	MEDINA	22,078,666
BROWN	982,261	MEIGS	617,279
BUTLER	44,832,748	MERCER	3,342,164
CARROLL	1,028,472	MIAMI	18,088,616
CHAMPAIGN	5,003,440	MONROE	3,162,855
CLARK	12,889,405	MONTGOMERY	88,229,377
CLERMONT	14,399,545	MORGAN	496,115
CLINTON	5,519,163	MORROW	1,496,997
COLUMBIANA	6,583,157	MUSKINGUM	8,929,814
COSHOCTON	3,835,973	NOBLE	628,359
CRAWFORD	7,333,384	OTTAWA	4,243,501
CUYAHOGA	218,991,881	PAULDING	1,265,209
DARKE	3,898,807	PERRY	1,509,243
DEFIANCE	6,519,907	PICKAWAY	5,281,493
DELAWARE	14,401,328	PIKE	6,021,928
ERIE	18,464,223	PORTAGE	21,737,202
FAIRFIELD	9,071,379	PREBLE	3,723,982
FAYETTE	3,055,966	PUTNAM	3,118,015
FRANKLIN	198,561,901	RICHLAND	21,214,499
FULTON	8,502,407	ROSS	9,269,418
GALLIA	2,100,670	SANDUSKY	11,374,431
GEAUGA	14,277,083	SCIOTO	4,290,955
GREENE	12,317,587	SENECA	6,933,191
GUERNSEY	4,059,672	SHELBY	13,549,633
HAMILTON	148,662,471	STARK	51,506,282
HANCOCK	14,379,264	SUMMIT	83,535,672
HARDIN	2,929,192	TRUMBULL	28,499,249
HARRISON	1,163,374	TUSCARAWAS	11,823,151
HENRY	5,286,740	UNION	16,949,745
HIGHLAND	1,831,489	VAN WERT	2,660,607
HOCKING	1,496,009	VINTON	526,848
HOLMES	3,350,688	WARREN	32,098,622
HURON	5,461,721	WASHINGTON	10,639,824
JACKSON	2,180,037	WAYNE	18,570,997
JEFFERSON	7,325,688	WILLIAMS	6,756,075
KNOX	5,215,273	WOOD	23,246,427
LAKE	38,751,419	WYANDOT	3,091,853
LAWRENCE	1,678,629		
LICKING	13,821,994	TOTAL	\$1,631,372,904

¹ Consists of payments made to school districts and local governments. School district payments reflect both "direct" replacement payments and "indirect" replacement payments made to schools through a reduction in the school foundation charge-off. Figures reflect payments made in August 2009, October 2009, and May 2010.