State of Ohio

Executive Budget

Fiscal Years 2008 and 2009

Book Two
Tax Expenditure Report

Prepared by the Department of Taxation
and Submitted to the 127th General Assembly
By Governor Ted Strickland
March 2007

Ohio Department of
TAXATION

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It is my pleasure to present the *Tax Expenditure Report*, a responsibility assigned to the Tax Commissioner by the Ohio Revised Code (Sections 107.03 and 5703.48). This report makes possible an ongoing review of state tax expenditures. It is a companion piece to the Governor's Executive Budget.

This report includes analysis of 146 tax expenditures allowed in current law. It estimates the state revenue that would be produced in fiscal years 2008 and 2009 from the repeal of each expenditure, but does not address whether those exemptions are appropriate or effective. The responsibility of evaluating the public policy merits of tax expenditures belongs jointly to Governor Ted Strickland and the General Assembly. The information does, however, lend itself to a better understanding of the current tax system. As such, this report stands as an important resource for those making decisions about Ohio's tax policy.

If you have questions or comments about the report, please direct them to:

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Sincerely,

Richard A. Levin

Richard A. Levin
Tax Commissioner

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The Tax Expenditure Concept

Tax expenditures are tax dollars that are foregone through deductions, exemptions, credits, and other provisions in tax laws. These laws are designed to encourage certain activities or to provide relief to taxpayers in designated circumstances. These provisions in the law result in a loss of tax revenue to state government, thereby reducing the funds available for other government programs. As such, a tax expenditure has the same fiscal impact as a direct government expenditure.

Both tax expenditures and direct expenditures incur a cost to the state in order to accomplish public policy goals. Unlike direct expenditures, tax expenditures are not analyzed and reviewed as part of the budget appropriation process. They may remain in effect indefinitely, with little or no scrutiny by policy makers. If it were not for this report, the fiscal impact of an existing provision would not be routinely estimated unless a proposal were made to change or repeal it.

The Purpose of the Tax Expenditure Report

The purpose of a tax expenditure report is to help provide a clearer picture of the total range of government spending. The report provides the estimated dollar value of tax expenditures but offers no conclusions about the validity of any particular expenditure. The responsibility of evaluating the expenditure's merit with regard to public policy belongs jointly to the General Assembly and the Governor.

Sections 5703.48 and 107.03(F) of the Ohio Revised Code, enacted in 1987, require the submittal of a tax expenditure report as a supplement to the governor's biennial budget. The report shows the impact of tax expenditures on the state General Revenue Fund and other funds. The report includes the legal citation, year of enactment, a description of the tax expenditure, and estimates of the revenue impact from repealing the tax expenditure for fiscal years 2008 and 2009.

Defining Tax Expenditures

To produce this report it was necessary to address the question of what exactly constitutes a "tax expenditure." A tax expenditure can generally be understood as any tax provision that exempts (either in whole or in part) certain persons, income, goods, services, or property from the effect of taxes established by law, including (but not limited to) tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates. Such a definition follows the idea that a tax expenditure is any item that precludes the imposition of a theoretically-derived "optimal" tax base. Such a tax base would be at least partially predicated on the findings of public finance research and analysis.

Unfortunately, the optimal model of the tax base would be quite difficult to develop and put into practice. The most significant impediment is that a theoretical model does not address the many technical features of tax law that may or may not constitute tax expenditures. For example, with the optimal tax base approach it is not clear whether the various federal deductions and adjustments that pass through to the state income and state corporate franchise taxes (because Ohio uses federal taxable income as the corporate franchise tax "starting point" and federal adjusted gross income as the "starting point" for the income tax) would be defined as tax expenditures. As a further example, under the optimal tax base approach one would have to determine whether Ohio's method of allowing corporations to file a combined corporate franchise tax report for purposes of determining taxable income constitutes a tax expenditure, simply because this method is not as inclusive as the approach used in states that require combined filing for "unitary" groups of corporations.

This report avoids the complications associated with the optimal tax base concept. Instead, it uses a specific operating definition of tax expenditures that requires the presence of all four of the following characteristics.

1) The item reduces, or has the potential to reduce, one of the state's General Revenue Fund taxes.

By law, the tax expenditure report includes only those taxes that contribute to the General Revenue Fund (GRF). These taxes comprise 96 percent of GRF revenues, excluding federal reimbursements. Several GRF taxes — for example, liquor gallonage and dealers in intangibles — do not have tax expenditures. There are other state taxes that do not provide revenue to the state's GRF and thus are excluded from the report. These taxes include the motor vehicle license tax, motor vehicle fuel tax, horse racing tax, and severance taxes.

The new commercial activity tax (CAT), which was enacted by Am. Sub. HB 66 of the 126th General Assembly, is included in this report. While it does not currently contribute revenue to the GRF, the GRF is responsible for covering shortfalls to other funds should CAT revenues be insufficient. Thus, if any CAT tax expenditure were repealed, the GRF would benefit. Therefore, we determined that the CAT should be included in this report.

2) The item would have been part of the defined tax base.

In order for a provision to be a tax expenditure it must specifically exempt from taxation an item that otherwise would have been part of the tax base. Without the provision, the item would have been taxable. There are some items specifically exempted by the Ohio Revised Code that do not happen to be part of the tax base. These items are not included as tax expenditures in this report. For example, the Ohio Revised Code excludes from the sales tax the sale of items that are then resold in their same form (typically, sales made by wholesalers to retailers). Such sales are not considered part of the sales tax base, and are not included as a tax expenditure, because only the final sale of a given product is considered to be part of the tax base (any preceding sales of that product *in its same form* are not considered to be part of the tax base).

3) The item is not subject to an alternative tax.

Items that are subject to alternative taxes are not considered tax expenditures. For instance, many public utilities are exempted from the corporate franchise tax by the Ohio Revised Code but this exemption is not considered a tax expenditure because such public utilities are taxed under the public utility excise tax.

4) The item is subject to change by state legislative action. Thus, this item must take the form of an exemption, deduction, or credit existing in the Ohio Revised Code.

Those items that can only be changed by a state constitutional amendment, a federal law change, or a federal constitutional amendment are not considered tax expenditures.

Projected Fiscal Year 2008 - 2009 Revenue From Repeal of Tax Expenditures

The 2008-2009 biennium tax expenditure report identifies the estimated revenue that would be generated for the state general revenue fund and other funds (primarily local government funds) if the tax expenditure was repealed as of July 1, 2007.[1]

The revenue impact figures reflect cash flow considerations that affect fiscal year 2008 as a result of the assumed July 1, 2007 effective date. Because tax increases can not be imposed retroactively, the fiscal year 2008 revenue impact figure of most of the tax expenditures reflects less than a “full-year” revenue gain.[2]

[1] The local government funds are three separate "revenue sharing" program funds wherein each fund's proceeds are allocated to local governments based on a statutory formula. These funds are: the local government fund (LGF); the local government revenue assistance fund (LGRAF); and the library and local government support fund (LLGSF). Each fund receives a designated share of revenues from major state tax sources. The LLGSF receives 5.7 percent of income tax revenues while the LGF and LGRAF receive 4.2 percent and 0.6 percent, respectively, of income tax, sales and use tax, corporate franchise tax, public utility excise tax, and kilowatt hour tax revenues.

[2] In the case of the income and corporate franchise taxes, those taxpayers with taxable years ending prior to July 1, 2007 are assumed not to be affected by the repeal of the tax expenditure in taxable year 2007 (fiscal year 2008). In the case of consumption taxes - such as the sales tax - only transactions/sales made on or after July 1, 2007 would be affected. Only estates with dates of death on or after July 1, 2007 are assumed to be affected by tax expenditure repeal. The estate tax cash flow lag is quite dramatic; the built-in estate tax cash flow assumptions are explained in the Estate Tax section of the report.

There are other important factors reflected in the revenue impact figures. Potential taxpayer behavioral responses to the repealed tax expenditure were factored into the revenue estimates. This includes (primarily short-term) non-compliance by certain taxpayers in response to the repealed tax expenditure, diluting the potential revenue gain. In addition, the presence of possible "overlapping" tax expenditures was factored into the revenue impact figures. That is, another provision of tax law may exist that exempts from taxation some of the activity pertaining to the repealed tax expenditure. The existence of an overlapping exemption dampens the possible revenue yield generated from the repeal of a tax expenditure. (Each tax expenditure revenue impact estimate assumes that only that particular tax expenditure is being repealed, and that any overlapping tax expenditures would remain in effect.)

It should be noted that two sets of estimates are provided for each tax expenditure. The estimated "value" of each tax expenditure has been provided within a small box. The value of a tax expenditure is intended to measure the amount "spent" through the tax system on that one provision, and is not the same as the amount of revenue that would be gained by repeal. The tax expenditure value concept ignores such effects as overlapping tax exemptions and cash flow lag that would impact (reduce) revenue collections upon repeal of the expenditure. The tax expenditure value also does not reflect changes in taxpayer behavior that would occur if the tax expenditure were repealed.

It was judged that the revenue impact of each tax expenditure, rather than the value of each tax expenditure, would provide greater utility to users of the tax expenditure report, especially in the context of budgetary analysis and policy deliberation. Hence, the primary figures used in this report are those indicating the revenue gain from tax expenditure repeal; the values of tax expenditures are less prominently displayed.

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 Department of Taxation relies on external sources of data that may not be as reliable as those offered within the agency. A data reference code has been devised to identify the source for individual tax expenditures, as follows:

Data Source Code (A): Data emanating from tax returns filed with the Department of Taxation, as well as other information generated by the Department of Taxation.

Data Source Code (B): Data produced by government agencies other than the Department of Taxation, such as other State of Ohio agencies, the Federal government (e.g., the IRS and U.S. Census Bureau), other state governments, and Ohio's local governments.

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

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

CORPORATE FRANCHISE TAX	GRF & Local Funds Revenue Impact	
	FY 2008	FY 2009
1. Real estate investment trust, regulated investment company and real estate mortgage investment conduit	$19.9	$14.9
2. Holding company net worth exemption	1.7	1.3
3. $150,000 maximum net worth tax liability	44.2	31.5
4. Land devoted to agricultural use	minimal	minimal
5. Goodwill, appreciation and abandoned property of financial institutions	71.0	112.0
6. Specified dividends from other corporations	2.8	2.0
7. Certain capital gains from the sale of business assets	minimal	minimal
8. Payroll for federal "work opportunity credit"	minimal	minimal
9. Ohio net operating loss deduction	44.4	31.7
10. Contributions to individual development accounts(1)	minimal	minimal
11. Pollution control property excluded from property apportionment factor	minimal	minimal
12. Enterprise zone property excluded from property factor	minimal	minimal
13. Enterprise zone payroll excluded from payroll apportionment factor	minimal	minimal
14. Qualified research property and payroll excluded from apportionment factors	minimal	minimal
15. Receipts from public utilities, insurance companies, and financial institutions excluded from sales factor	minimal	minimal
16. Litter control donation credit	minimal	minimal
17. Enterprise zone day care/training credit(1)	minimal	minimal
18. State chartered savings & loan credit	1.4	2.0
19. Job creation credit(1)	0.0	0.0
20. Credit for property used to produce grapes(1)	minimal	minimal
21. Enterprise zone employee credit	minimal	minimal
22. Credit for qualifying affiliated groups	0.0	minimal
23. Credit for increased research and development expenses	3.0	0.0
24. Credit for job training expenses(2)	8.0	0.0
25. Credit for grade crossing devices	minimal	minimal
26. Credit for electric plants using Ohio coal	5.2	minimal

(1) This deduction or credit is also available under the income tax. The figures shown represent the combined effect of removing the deduction or credit from both taxes.

(2) The credit is also available under the income tax, dealers in intangibles tax, and insurance tax. The figures shown represent the combined effect of removing the credit from all these taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

	TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2008	FY 2009
27.	Credit for taxes paid by a pass-through entity	minimal	minimal
28.	Credit for financial institution investment in a dealer in intangibles	18.8	20.0
29.	Job retention tax credit[(1)]	1.0	0.0
30.	Research and development loan program credit	minimal	0.0
31.	Small telephone company credit	minimal	minimal
32.	Credit for non-recurring 9-1-1 service expenses	minimal	minimal
33.	Credit for programs to aid the communicatively impaired	7.0	0.0
34.	Historic structure rehabilitation credit[(2)]	7.5	30.0
	Total Corporate Franchise Tax	**$235.9**	**$245.4**
	ALCOHOLIC BEVERAGES TAX		
35.	Advanced payment credit/discount	$1.4	$1.4
36.	Sacramental wine exemption	minimal	minimal
37.	Small brewer's credit	minimal	minimal
38.	Small wine producer's exemption	minimal	minimal
	Total Alcoholic Beverage Tax	**$1.4**	**$1.4**
	CIGARETTES & OTHER TOBACCO PRODUCTS TAX		
39.	Discount for cigarette tax stamps	$16.4	$16.1
40.	Discount for timely payment of other tobacco products tax	minimal	minimal
41.	$300 monthly cigarette importation exemption	25.0	25.0
	Total Cigarettes and Other Tobacco Products Tax	**$41.4**	**$41.1**

(1) These credits are also available under the income tax. The figures shown represent the combined effect of removing the credits from both taxes.

(2) The credit is also available under the income tax, dealers in intangibles tax, and insurance tax. The figures shown represent the combined effect of removing the credit from all these taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

PUBLIC UTILITY EXCISE TAX	GRF & Local Funds Revenue Impact	
TAX EXPENDITURE	FY 2008	FY 2009
42. Municipal utilities and non-profit (water works) utilities are exempt	$60.4	$60.4
43. $25,000 deduction from gross receipts for each company	minimal	minimal
44. Sales to other public utilities for resale	minimal	minimal
45. Credit for certain natural gas companies	8.6	8.6
Total Public Utility Excise Tax	**$69.0**	**$69.0**
KILOWATT HOUR TAX		
46. Exemption for qualified end-users	$4.9	$5.3
Total Kilowatt Hour Tax	**$4.9**	**$5.3**
INDIVIDUAL INCOME TAX		
47. Social security & railroad retirement benefits	$240.0	$254.4
48. Personal exemption deduction	558.8	557.5
49. Deduction for college savings programs	8.7	8.6
50. Disability income	32.8	33.1
51. Medical savings accounts	1.2	1.3
52. Deduction for excess medical expenses	17.3	18.2
53. Deduction for taxpayers ineligible for employer sponsored medical plan	44.3	44.6
54. Long-term care medical insurance	9.1	9.6
55. Pre-1972 trust exemption	13.5	18.0
56. Exemption for active duty military income	20.7	19.8
57. Credit for income below $10,000	13.0	11.5
58. $20 personal exemption credit	162.8	163.7
59. $50 senior citizen credit	26.6	26.9
60. Retirement income credit	127.9	132.0
61. Resident credit for income taxed by another state	107.8	106.5
62. Joint filer credit	247.6	242.2
63. Dependent care credit	9.4	9.8
64. Lump sum retirement income credit	2.2	2.3

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact	
	FY 2008	FY 2009
65. Lump sum distribution credit	minimal	minimal
66. Displaced worker job training credit	1.5	1.5
67. Campaign contribution credit	5.6	6.0
68. Credit for adoption related expenses	1.0	1.0
69. Ethanol plant investment credit[3]	0.0	0.0
70. Technology investment tax credit	3.1	3.1
Total Individual Income Tax	**$1,654.9**	**$1,671.6**
SALES AND USE TAX		
71. Copyrighted motion pictures	$7.8	$8.5
72. Value of motor vehicle trade-ins	142.8	159.9
73. Refundable deposits on beverage containers	minimal	minimal
74. Tangible personal property used or consumed in commercial fishing	minimal	minimal
75. Tangible personal property used directly in agriculture and mining production	151.9	183.9
76. Tangible personal property used directly in providing public utility services	75.3	79.1
77. Tangible personal property used to produce printed materials	22.0	23.8
78. Qualified tangible personal property used in making retail sales	26.5	30.0
79. Sales to the state, its political subdivisions and certain other states	142.9	156.5
80. Food sold to students on school premises	19.8	21.8
81. Newspapers	19.1	21.4
82. Magazine subscriptions	18.5	20.8
83. Casual sales	34.4	37.7
84. Sales by churches and certain types of non-profit organizations	19.7	22.2
85. Transportation of persons or property	162.9	175.7
86. Sales to churches and certain other types of non-profit organizations	236.9	266.5

(3) The credit is also available under the corporate franchise tax. The figure shown reflects the combined effect of removing the credit from both taxes.

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact FY 2008	FY 2009
87. Building and construction materials used in certain structures	$201.1	$235.7
88. Ships and rail rolling stock used in interstate or foreign commerce	minimal	minimal
89. Packaging and packaging equipment	314.7	350.9
90. Emergency and fire protection vehicles and equipment	1.0	1.1
91. Sales of property for use in production of presentations in music, dramatics, the arts, and related fields	minimal	minimal
92. Motor vehicles sold in Ohio for use outside the state	51.0	53.9
93. Agricultural property (use on use)	minimal	minimal
94. Property for use in retail business outside of Ohio	minimal	minimal
95. Sales to non-commercial, educational broadcast stations	minimal	minimal
96. Sales of animals by non-profit animal shelters	minimal	minimal
97. Items used in serving and preparing food	13.7	17.0
98. Property used in air, noise, or water pollution control	2.4	2.5
99. Bulk water for residential use	minimal	minimal
100. Property used in energy or waste conversion facilities	minimal	minimal
101. 0.75% discount for vendors	48.6	52.8
102. Agricultural land tile and portable grain bins	minimal	minimal
103. Prescription drugs and medical supplies	444.1	518.6
104. Artificial limbs, prostheses, wheelchairs and other medical equipment	8.3	10.2
105. Property used in preparing eggs for sale	1.7	1.9
106. Sales to veterans' headquarters	minimal	minimal
107. Property and services sold to providers of tele-communication services	41.8	41.4
108. Property used primarily in manufacturing tangible personal property	1,670.1	1,896.1
109. Value of watercraft trade-ins	3.9	4.1
110. Sales to facilities financed with public hospital bonds	minimal	minimal
111. TPP used in research and development	41.4	45.1
112. Property used in highway transportation for hire	17.6	20.3
113. Property used to fulfill a warranty or service contract	51.7	55.5
114. Equipment used in private warehouses and distribution centers with inventory to be shipped out of state	$5.4	$6.4

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE	GRF & Local Funds Revenue Impact	
	FY 2008	FY 2009
115. 25% refund for electronic information provider's purchases of qualified tangible personal property	minimal	minimal
116. Sales of computers and computer equipment to certified teachers	minimal	minimal
117. Sales of qualified tangible personal property to qualified motor racing teams	minimal	minimal
118. Drugs distributed to physicians as free samples	5.7	6.3
119. Qualified used manufactured and mobile homes	2.0	2.0
120. Sales of tangible personal property and services to electricity providers	251.0	276.3
121. Sales of tangible personal property and services for maintenance and repair qualified fractionally-owned aircraft	minimal	minimal
122. $800 tax cap on qualified fractionally-owned aircraft	minimal	1.0
123. Qualified call center exemption	14.7	15.9
Total Sales and Use Tax	**$4,272.4**	**$4,822.8**
INSURANCE PREMIUMS TAX		
124. Ohio Life and Health Guaranty Association contribution credit	minimal	minimal
125. Deduction for premiums received from qualified small business alliances	$8.0	$8.0
126. Credit for small insurers	3.5	3.5
Total Insurance Premiums Tax	**$11.5**	**$11.5**

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

FY 2008 - 2009
Tax Expenditure
Revenue Impact Summary
(in millions)

TAX EXPENDITURE		GRF & Local Funds Revenue Impact FY 2008	GRF & Local Funds Revenue Impact FY 2009
ESTATE TAX			
127.	Credit for each estate	$0.0	$27.0
128.	Marital deduction	0.0	9.4
129.	Bequests to charitable, religious, etc., organizations	0.0	2.2
130.	Funeral and administration expenses and debts against the estate	0.0	2.9
	Total Estate Tax	**$0.0**	**$41.5**
COMMERCIAL ACTIVITY TAX			
131.	Pre-1972 trust exemption	minimal	minimal
132.	Exclusion of first $1 million in taxable gross receipts	80.0	149.0
133.	Professional employer organization exclusion	1.0	1.9
134.	Motor vehicle transfer exemption	minimal	1.3
135.	Exclusion of certain services provided to financial institutions	minimal	minimal
136.	Real estate brokerage fee	1.0	2.0
137.	Anti-neoplastic drug exclusion	minimal	minimal
138.	Qualifying distribution center receipts	3.4	6.0
139.	State and federal fuel excise tax exclusion	15.4	27.4
140.	State and federal cigarette excise tax exclusion	2.6	4.5
141.	State and federal alcoholic beverage excise tax exclusion	1.0	1.8
142.	Horse racing taxes and purse exclusion	minimal	minimal
143.	Job creation credit	0.0	4.9
144.	Credit for increased research and development	0.0	10.0
145.	Research and development loan program credit	0.0	3.6
146.	Job retention tax credit	0.0	1.5
	Total Commercial Activity Tax	**$104.4**	**$213.9**
	GRAND TOTAL	**$6,395.8**	**$7,123.5**

NOTE: Minimal is defined as below $1,000,000 per year revenue impact.

Corporate Franchise Tax

The corporate franchise tax was originally levied, in 1902, on the value of capital stock located in Ohio. A second tax base, net income, was added in 1971. In tax year 2005, 72 percent of corporate franchise tax liability was based on net income.

Tax Base

The corporate franchise tax has two alternative tax bases:

Ohio net worth (assets less net carrying value of liabilities) of the corporation.

Ohio net income (profits) of the corporation.

Tax Rate

The tax is the greater of:

4.00 mills on net worth with a maximum $150,000 liability; or

5.1 percent on the first $50,000 of net income plus 8.5 percent on net income in excess of $50,000.

The minimum tax is $50 for small taxpayers and $1,000 for large taxpayers.

Financial institutions are subject to a 13 mill tax on net worth, with a minimum tax of $50.

Additional Rates: The rate for all corporations except financial institutions and "litter stream corporations"* is the greater of:

0.14 mill on net worth; or
0.11 percent on the first $50,000 of net income plus 0.22 percent on net income in excess of $50,000.
(Maximum tax charged by these rates is limited to $5,000.)

The rate for "litter stream corporations"* is the greater of:

0.28 mill on net worth; or
0.11 percent on the first $50,000 of net income plus 0.44 percent on net income in excess of $50,000.
(Maximum tax charged by these rates is limited to $10,000.)

* litter stream corporations include corporations manufacturing or selling alcoholic beverages, soft drinks, containers, and other litter stream products.

Significant Changes Enacted by the 126th General Assembly

Lawmakers enacted landmark changes to the corporate franchise tax during the 126th General Assembly. In the process of making sweeping changes to Ohio business taxes, Am. Sub. House Bill 66 (the fiscal year 2006-2007 state operating budget bill) provided for the eventual elimination of the corporate franchise tax for most corporate taxpayers. Financial institutions and the affiliates of financial institutions and insurance companies are to remain subject to the corporate franchise tax. For other corporations the tax is to be phased out over a five-year period beginning in tax year 2006 and ending in tax year 2010. The tax will phase out in annual 20 percentage-point increments. Therefore, in tax year 2006 for most corporate franchise taxpayers the tax due is 80% of the full liability,[1] in tax year 2007 the tax due is 60% of the full liability, and so on until the tax is eliminated in tax year 2010. Beginning in tax year 2010, only financial institutions and the affiliates of financial institutions and insurance companies will remain subject to the full corporate franchise tax.

Because the corporate franchise tax is not to be entirely eliminated, most of the existing tax expenditures will remain in effect. (Repealed expenditures are listed at the end of this introduction.) However, the phase-down of the corporate franchise tax will greatly reduce the value of most of these tax expenditures. Specifically, the fiscal year 2008 revenue impacts provided in this report reflect tax year 2008, when only 40% of the full corporate franchise tax is in effect for most taxpayers. The fiscal year 2009 revenue impacts in this report reflect tax year 2009, when only 20% of the full corporate franchise tax is in effect. This means that only 40% of a "full-force" tax expenditure revenue impact is shown for fiscal year 2008, and only 20% of a "full-force" impact is shown for fiscal year 2009. (A notation accompanies each tax expenditure item indicating whether or not it is subject to the corporate franchise tax phase-down during the years covered by this report.)

A limited number of provisions are not appreciably affected by the corporate franchise tax phase out. Hence, the tax expenditures related to these provisions do not reflect the corporate franchise tax phase-out percentages. These tax expenditures can be placed into two groups. The first group consists of refundable tax credits that do not phase down but either disappear by the time the tax is eliminated in tax year 2010 (i.e., the credit for costs to provide telecommunications services to the communicatively disabled) or convert to a credit against the commercial activity tax beginning in fiscal year 2009 (i.e., the job creation tax credit).

The second group consists of those tax credits, exclusions or deductions that exclusively pertain to financial institutions and the affiliates of financial institutions and insurance companies. Such expenditures will not reflect the phase-out and some of these may continue to show a significant revenue impact.

1 Full liability includes the additional liability for litter programs.

The two groups of tax expenditures NOT subject to the corporate franchise tax phase-down consist of the following:

- Exclusion for goodwill, appreciation and abandoned property of financial institutions (pertains to financial institutions)
- State-chartered savings and loan credit (pertains to financial institutions)
- Job creation tax credit (converts to a commercial activity tax credit in 2009)
- Credit for taxes paid by a qualifying pass-through entity[2]
- Credit for financial institution investment in a dealer in intangibles (pertains to financial institutions)
- Credit for programs to aid the communicatively disabled
- Historic structure rehabilitation credit

Since financial institutions and the affiliates of financial institutions and insurance companies will remain subject to the corporate franchise tax after it has been eliminated for other companies, they can continue to claim most of the credits, deductions and exclusions they claimed prior to the enactment of Am. Sub. HB 66. For example, the net worth exclusion for land devoted to agricultural purposes would continue to be fully available to financial institutions, their affiliates, and insurance company affiliates. For the majority of tax expenditures that may be claimed both by taxpayers subject to the franchise tax phase-out and those that are not subject to the phase-out, the revenue estimates reflect a substantial decline in fiscal years 2008 and 2009; this is because those expenditures are overwhelmingly used by taxpayers subject to the franchise tax phase-out.

Finally, three nonrefundable corporate franchise tax credits begin to phase-down from tax year 2006 through tax year 2008 but are converted to a credit against the commercial activity tax beginning in 2009 (and are no longer subject to a phase-down percentage). The following tax credits are in this category:

- Job retention credit
- Credit for increased research and development expenses
- Research and development loan program tax credit

In summary, the three above tax credits appear in the corporate franchise tax section of this report for fiscal year 2008 but at a significantly dampened level due to the corporate franchise tax phase-down. The credits appear in the commercial activity tax section of the report for fiscal year 2009 at their full value since they will no longer be subject to a phase-down.

[2] The credit itself does not officially phase-out. However, Am. Sub. HB 66 does phase-out the tax that a pass-through entity must pay on its Ohio income passing-through to those qualifying investors that are subject to the franchise tax phase-out (i.e., corporate investors in pass-through entities other than financial institutions, their affliates and insurance company affiliates). This has the same effect as a credit phase-out.

Several of the corporate franchise tax expenditures contained in the FY 2006-2007 edition of the Report have been excluded from the FY 2008–2009 edition. They are:

Exemption for credit unions. This is not a true tax expenditure. Credit unions are non-profit organizations and thus would not be subject to the corporate franchise tax even if this exemption were repealed.

Exemption for "S" corporations. This is not a tax expenditure for the fiscal years 2008 and 2009 because the corporate franchise tax phase-out diminished the value of the exemption to the point at which it is no longer a source of tax revenue loss, and therefore no longer an expenditure. (That is, by tax year 2008 the effective corporate franchise income tax rate will actually be below the effective individual income tax rate thus no longer providing a net tax reduction and concomitant state revenue loss.)

Net worth exemption for high technology start up companies. Under current law this exemption is scheduled to end after tax year 2007.

7.5%/13.5% manufacturing investment credit. Am. Sub. HB 66 converted this former credit to a grant. As a result it no longer meets the definition of a tax expenditure.

Net worth exclusion for certified energy and solid waste conversion facilities, Income from coal conversion facilities, and Coal conversion facility excluded from apportionment factors. These three exclusions were repealed by Am. Sub. HB 95 (125th General Assembly) and therefore do not appear in this report.

Also excluded from this report is a tax credit to defray the losses of lenders to the venture capital program enacted by the 124th General Assembly (Am. Sub. Senate Bill 180). While the credit may have fiscal impact in fiscal year 2009, the Department has no data to estimate the possible value of that credit.

One new tax expenditure has been added. At the end of the 126th General Assembly, the legislature enacted Sub. HB 149, which created a refundable *tax credit for historic rehabilitation expenses*. The credit may be claimed against the corporate franchise tax, the individual income tax, or the dealers in intangibles tax. It is unique in that the legislation provides for corporations to file corporate franchise tax returns after they are no longer subject to the tax for the sole purpose of claiming the refundable credit.

Corporate Franchise Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue gain to all state funds – specifically, the general revenue fund, the local government fund, and the local government revenue assistance fund - if the tax expenditures were to be repealed as of July 1, 2007. It is assumed that the repeal of a tax expenditure would have no effect in tax year 2008 on those corporations whose taxable year ends prior to July 1, 2007. Therefore, in most cases the state would not receive a full year's amount of tax revenue in fiscal year 2008 if the tax expenditure were repealed on July 1, 2007.

In addition, the estimates incorporate other factors that would impact revenues if the tax expenditures were repealed.[2] Because certain taxpayers may not comply (at least initially) with repeal of the tax credit, exclusion or exemption, we have attempted to factor compliance issues into the estimated revenue yield. We have also attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that would also dampen the potential revenue gain of the repealed tax expenditure.

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from tax years 2004 and 2005 corporate franchise tax returns filed with the Department of Taxation. However, some of the estimates were derived from non-Departmental data sources, such as the Internal Revenue Service Statistics of Income unit; other federal agencies, such as the U.S. Census Bureau and the Bureau of Economic Analysis; other state agencies such as the Department of Development; taxation and other public finance research published by academic, public, and not-for-profit organizations; and business information services. It should be recognized that the dependability of the figures below vary based on the amount and quality of information available on the tax expenditure.

NOTE: See page 4 for description of data source codes.

1. Exemption for real estate investment trusts, regulated investment companies and real estate mortgage investment conduits

Ohio Revised Code 5733.09(C), originally enacted 1971 (REITs and RICs), 1990 (REMICs)

Real estate investment trusts (REITs), regulated investment companies (RICs) and real estate mortgage investment conduits (REMICs) as defined by the Internal Revenue Code are exempt from the corporate franchise tax.

Note: This estimate assumes that Ohio law would recognize the federal deduction for distributions made to REIT, RIC or REMIC shareholders, which would severely restrict the net income franchise tax liability of such companies.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$19.9 million
FY 2009	$14.9 million

Data Source Code: (A),(B)

> The value of this tax expenditure in fiscal year 2008 is estimated at $28.4 million. In fiscal year 2009, the value is estimated at $14.9 million.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

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[2] These estimates reflect only the direct taxpayer behavioral effects on that revenue source if the tax expenditure were repealed. The estimates do not reflect potential "secondary" revenue impacts on other revenue sources that may stem from the economic changes engendered by the repealed tax expenditure.

Exemptions and Exclusions from Net Worth

2. Net worth tax exemption for qualifying holding companies

Ohio Revised Code 5733.04(L) and 5733.05 (C)(1), originally enacted 1999

Entities meeting the definition of a "qualifying holding company" are exempt from the net worth basis of the corporate franchise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.7 million
FY 2009	$1.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.9 million. In fiscal year 2009, the value is estimated at $1.5 million.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

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3. $150,000 maximum net worth tax liability

Ohio Revised Code 5733.06(G), originally enacted 1999

The net worth liability cannot exceed $150,000.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$44.2 million
FY 2009	$31.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $63.1 million. In fiscal year 2009, the value is estimated at $31.5 million.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

4. Land devoted exclusively to agricultural use

Ohio Revised Code 5733.05(C)(1), originally enacted 2000

The book value of land devoted exclusively to agricultural use (land qualified for current agricultural use valuation for property tax purposes) is excluded from net worth for corporate franchise tax purposes.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

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5. Goodwill, appreciation and abandoned property of financial institutions

Ohio Revised Code 5733.056(B)(4), originally enacted 1933

The value of goodwill, appreciation and abandoned property is excluded from the net worth tax base of financial institutions.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$71.0 million
FY 2009	$112.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $118.5 million. In fiscal year 2009, the value is estimated at $124.4 million.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

Minimal is defined as below $1,000,000 per year revenue impact.

Exemptions and Deductions from Net Income

6. Specified dividends from other corporations

Ohio Revised Code 5733.04(I)(4),(7) and (8), originally enacted 1971

Corporations are allowed to use the dividends received deduction provided by Section 243 of the Internal Revenue Code to calculate Ohio taxable income. Section 243 allows a 70 percent deduction of dividends received from less-than-20 percent-owned domestic corporations, an 80 percent deduction for dividends received from less-than-20 percent-or-more-owned domestic corporations, and a 100 percent deduction for dividends received by small business investment companies and by certain affiliated corporations from the members of the affiliated group. To the extent not otherwise allowed, dividends received from a public utility (excluding an electric company and for tax years 2005 and thereafter, a telephone company) or an insurance company may be deducted if the taxpayer has at least 80 percent ownership of the utility or insurance company.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$2.8 million
FY 2009	$2.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $4.0 million. In fiscal year 2009, the value is estimated at $2.0 million.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

7. Certain capital gains occurring prior to the first year the franchise tax was computed on net income

Ohio Revised Code 5733.04(I)(3), originally enacted 1971

Corporations are to deduct any gain (and add any loss) resulting from the sale or other disposal of a capital asset, or an asset described in section 1231 of the Internal Revenue Code, to the extent such gain (or loss) occurred prior to the corporation's taxable year which ended on or after December 20, 1971.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

8. Payroll for federal "work opportunity credit"

Ohio Revised Code 5733.04(I)(10), originally enacted 1980

Corporations are allowed to take a federal income tax credit equal to a portion of the first-year wages paid to eligible employees. However, when computing federal taxable income, corporations must reduce the wage-expense deduction by the amount of the credit received, thereby increasing taxable income. Such wage expenses not deducted for federal tax purposes are to be deducted for purposes of computing Ohio taxable income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

9. Net operating loss deduction

Ohio Revised Code 5733.04(I)(1), originally enacted 1971

In calculating Ohio taxable income under the net income tax basis, corporations may deduct an Ohio net operating loss carried forward from previous years. Any unused loss incurred in a taxable year ending between January 1, 1982 and August 5, 1997 may be carried forward for fifteen consecutive years; any unused loss incurred in a taxable year ending on or after August 6, 1997 may be carried forward for twenty consecutive years. (Qualifying taxpayers electing to claim the commercial activity tax credit for unused net operating losses may not take the corporate franchise tax net operating loss deduction.)

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$44.4 million
FY 2009	$31.7 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $70.4 million. In fiscal year 2009, the value is estimated at $35.2 million.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

10. Contributions to individual development accounts*

Ohio Revised Code 5733.04(I)(15) and 5747.01(A)(17), originally enacted 1997

Corporations that contribute matching funds to an individual development account program established by a county department of human services for low-income individuals may deduct such funds from net income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

Apportionment Formula Exclusions

11. Certified pollution control property excluded from property apportionment factor*

Ohio Revised Code 5733.05(B)(2)(a), 5709.20 to 5709.27 originally enacted 1971

The value of property for pollution control, energy conversion, or thermal efficiency improvement that has been certified as exempt property under ORC section 5709.21 is excluded from both the numerator and denominator of the property factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

*This deduction is also available to qualifying individual income taxpayers. The estimated value of deductions taken against the income tax are reflected in these figures.

Minimal is defined as below $1,000,000 per year revenue impact.

12. Enterprise zone property excluded from property factor*

Ohio Revised Code 5709.65 (A)(2), originally enacted 1982

Companies that have been issued a tax incentive qualification certificate under ORC section 5709.64 can deduct the value of improvements to an approved enterprise zone facility from the numerator of the property factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

13. Enterprise zone payroll excluded from payroll apportionment factor*

Ohio Revised Code 5709.65(A)(3), originally enacted 1982

Companies that have been issued a tax incentive qualification certificate under ORC section 5709.64 can deduct from the numerator of the payroll factor the compensation paid to qualified employees at an approved enterprise zone facility.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 etimate reflects approximately 20% of a "full-strength" revnue estimate.

* This exclusion is also available to qualifying individual income taxpayers. The estimated income tax is included in these figures.

Minimal is defined as below $1,000,000 per year revenue impact.

14. Qualified research property and payroll excluded from apportionment factors

Ohio Revised Code 5733.05(B)(2), originally enacted 1987

Corporations may exclude from the numerator and denominator of the property factor the value of facilities used exclusively for qualified research. In addition, the total compensation paid in this state to employees who are primarily engaged in qualified research may be excluded from the numerator and denominator of the payroll factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

15. Receipts from public utilities, insurance companies, and financial institutions excluded from sales factor

Ohio Revised Code 5733.05(B)(2)(c), originally enacted 2003

Corporations that have at least 80 percent ownership interest in a public utility or insurance company, and corporations that have at least 25 percent ownership interest in a financial institution, may exclude receipts from those companies from the numerator and denominator of the sales factor.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

Credits

16. Litter control donation credit

Ohio Revised Code 5733.064, originally enacted 1981

Taxpayers may take a nonrefundable credit for cash donations made to municipalities, counties, townships, park districts, and boards of education that have received litter control and recycling grants from the division of recycling and litter prevention, or cash donations made to Ohio nonprofit corporations organized prior to January 1, 1987 whose sole purpose is to promote and encourage recycling. The credit equals the lesser of 50 percent of the amount of the cash donation or 50 percent of the sum of the tier one and tier two litter taxes.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

17. Enterprise zone day care/training credit*

Ohio Revised Code 5709.65, originally enacted 1982

Qualified corporations located in an enterprise zone may receive a tax incentive qualification certificate from the director of development for the following nonrefundable credits:

(1) the amount reimbursed to eligible new employees for the cost of day care services up to a maximum of $300 per child;

(2) the amount paid or reimbursed to eligible new employees for training program costs up to a maximum of $1,000 per employee.

The credit is available for a maximum four consecutive tax years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

* This credit is also available under the income tax, dealer in intangibles tax, and insurance tax. The figures shown represent the combined effect of removing the credit from all of these taxes.

Minimal is defined as below $1,000,000 per year revenue impact.

18. State-chartered savings and loan credit
Ohio Revised Code 5733.063, originally enacted 1983

A credit is allowed equal to the difference between the assessment paid by state-chartered savings and loan associations to the Division of Savings and Loans and the amount paid in supervisory fees to the Federal Savings and Loan Insurance Corporation.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $1.4 million
FY 2009 -- $2.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.0 million. In fiscal year 2009, the value is $2.0 million.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

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19. Job creation credit*
Ohio Revised Code 122.17, 5733.0610 and 5747.058, originally enacted 1993

Businesses that create jobs within Ohio may be eligible for a refundable credit. The credit is a designated percentage of the amount of new income tax revenue (i.e., Ohio income tax withheld from "new employees", as defined in ORC 122.17) that is generated pursuant to an agreement between the business and the Ohio Tax Credit Authority.
Note: The revenue impact figures reflect the estimated amount of corporate franchise tax and individual income tax that would be received by the general revenue fund if no further job creation tax credit agreements are reached beginning July 1, 2007. Credits associated with prior agreements would remain in effect.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $0.0
FY 2009 -- $0.0

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $47.2 million. In fiscal year 2009, the value is $0.0.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

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* Through fiscal year 2008, this credit is also available to qualifying individual income taxpayers. The estimated increase in income tax revenue from repeal of the tax expenditure is included in these figures. Beginning in fiscal year 2009, the credit is available only against the commercial acitvity tax.

20. Credit for property used to produce grapes*

Ohio Revised Code 5733.32 and 5747.28, originally enacted 1995

Taxpayers engaged in the business of producing grapes may take a nonrefundable corporate franchise tax credit equal to ten percent of the cost of qualified property used to produce grapes.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

21. Enterprise zone employee credit*

Ohio Revised Code 5709.66, originally enacted 1994

Taxpayers located in an eligible enterprise zone may take a maximum $1,000 nonrefundable credit for each employee who, at the time the employee was hired, was a participant in the Ohio Works program under ORC Chapter 5107 or the prevention, retention and contingency program under ORC Chapter 5108, or was a recipient of general assistance under former ORC Chapter 5113.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

*This deduction is also available to qualifying individual income taxpayers. The estimated value of of this credit attributable to the income tax is included in this estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

22. Credit for qualifying affiliated groups

Ohio Revised Code 5733.068, originally enacted 1992

Affiliated groups that pay over $3.5 million additional franchise tax due to the related entity and related member adjustments are eligible for a nonrefundable credit equal to the difference between the additional tax and $3.5 million. The credit may not exceed $1.5 million for the affiliated group.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $0.0

FY 2009 -- minimal

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.4 million. In fiscal year 2009, the value is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

23. Credit for increased research and development expenses*

Ohio Revised Code 5733.351, originally enacted 2002

Corporation may take a nonrefundable credit equal to seven percent of the increased qualified research expenses incurred in Ohio.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $3.0 million

FY 2009 -- $0.0

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $4.0 million. In fiscal year 2009, the value is estimated at $0.0.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate.

*Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.

Minimal is defined as below $1,000,000 per year revenue impact.

24. Credit for job training expenses*

Ohio Revised Code 5725.31, 5729.07, 5733.42, 5747.39, originally enacted 2001

Business may be granted a nonrefundable credit equal to 50 percent of the average costs paid or incurred during a designated three-year period for training eligible Ohio employees. The credit may not exceed $1,000 per trained employee. This credit is available through 12/31/2007.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$8.0 million
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $11.9 million. In fiscal year 2009, the value is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

25. Credit for grade crossing devices

Ohio Revised Code 5733.43, originally enacted 1999

Railroad companies may take a nonrefundable credit equal to ten percent of the annual maintenance expenditures for active grade crossing warning devices. The credit shall not exceed $200 for each device.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

* This credit is also available to qualifying individual income taxpayers. The estimated amount of this credit attributable to the income tax is included in this estimate.

Minimal is defined as below $1,000,000 per year revenue impact.

26. Credit for qualified electric plants using Ohio coal

Ohio Revised Code 5733.39, originally enacted 2002

A nonrefundable tax credit is allowed for Ohio coal used in coal-fired electric generating units, under certain conditions. The credit equals three dollars per ton of Ohio coal used between May 1, 2001 and December 31, 2004 in qualifying facilities and one dollar per ton used between January 1, 2005 and December 31, 2007.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$5.2 million
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $5.2 million. In fiscal year 2009, the value is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

27. Credit for taxes paid by a qualifying pass-through entity

Ohio Revised Code 5733.0611, originally enacted 1999

A corporation that is a qualifying investor in a qualifying pass-through entity may claim a credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

Minimal is defined as below $1,000,000 per year revenue impact.

28. Credit for financial institution investment in a dealer in intangibles

Ohio Revised Code 5733.45, originally enacted 2001

Financial institutions are allowed a nonrefundable credit equal to the lesser of **(a)** the amount of tax paid by a qualifying dealer in intangibles under ORC chapter 5707 or **(b)** the cost of the financial institution's ownership interest in a qualifying dealer in intangibles multiplied by the dealer's Ohio ratio computed under ORC section 5725.15 multiplied by eight mills.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---------- $18.8 million
FY 2009 ---------- $20.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $18.8 million. In fiscal year 2009, the value is estimated at $20.0 million.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

29. Job retention tax credit*

Ohio Revised Code 122.16, originally enacted 2001

A qualifying business that, over a three-year period, makes at least $200 million in capital investments at a manufacturing project site and has an average of at least 1,000 full-time employees at the site, may be granted a nonrefundable credit equal to a designated percentage of the employees' state personal income withholding tax (not to exceed 75 percent) over a period of 15 years. A credit may also be granted to a qualifying business meeting the following requirements: at least $100 million in capital investments at the project site over a three-year period; engaged primarily as a manufacturer or in providing significant corporate administrative functions at the site; employs at least 1,000 full-time employees at the site; and provides an average wage of all employees at the site in excess of 400 percent of the federal minimum wage.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---------- $1.0 million
FY 2009 ---------- $0.0

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.9 million. In fiscal year 2009, the value is estimated at $0.0.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate.

*This credit is also available to qualifying individual income taxpayers. The estimated amount of this credit attributable to the income tax is included in this estimate. Beginning in fiscal year 2009, this credit is available only against the commercial activity tax.

Minimal is defined as below $1,000,000 per year revenue impact.

30. Research and development loan program tax credit*

Ohio Revised Code 122.171, originally enacted 2001

Borrowers from the Research and Development Loan Fund Program are eligible for nonrefundable and transferable credits against the corporation franchise and income taxes for qualified payments made on loans issued from the fund.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- minimal

FY 2009 -- $0.0

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $0.9 million. In fiscal year 2009, the value is $0.0.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate.

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31. Small telephone company credit

Ohio Revised Code 5733.57, originally enacted 2003

During tax years 2005-2009, small telephone local exchange carrier companies may take a nonrefundable credit for the excess of corporate franchise tax paid over the amount of public utility excise tax that would have been paid. The full credit is available in tax year 2005 but declines thereafter; it is eliminated beginning in tax year 2010.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- minimal

FY 2009 -- minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

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*Through fiscal year 2008, this credit is available to qualifying corporate franchise and individual income taxpayers. Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.

Minimal is defined as below $1,000,000 per year revenue impact.

32. Credit for non-recurring 911 service expenses

Ohio Revised Code 5733.55, originally enacted 2003

Telephone companies are allowed a credit against their corporate franchise tax for approved non-recurring 9-1-1 emergency expenses.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A), (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

The value and revenue impact of this tax expenditure are estimated to decline in tandem with the phase-out of the corporate franchise tax for most taxpayers. Accordingly, the fiscal year 2008 estimate reflects approximately 40% of a "full-strength" revenue estimate and the fiscal year 2009 estimate reflects approximately 20% of a "full-strength" revenue estimate.

33. Credit for programs to aid the communicatively impaired

Ohio Revised Code 5733.56, originally enacted 1991

A telephone company that provides any telephone service program to aid the communicatively impaired is allowed a credit against their corporation franchise tax liability equal to the cost of providing such a program. The credit expires after tax year 2008.

	Projected Revenue Gain from the Repeal of Tax Expenditure
FY 2008	$7.0 million
FY 2009	$0.0

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $7.0 million. In fiscal year 2009, the value is estimated at $0.0.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

34. Historic structure rehabilitation credit

Ohio Revised Code 149.311(A), originally enacted 2006

A refundable tax credit equal to 25% of qualified rehabilitation expenditures is available to owners of historic structures.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$7.5 million
FY 2009	$30.0 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $7.5 million. In fiscal year 2009, the value is estimated at $30.0 million.

The value and revenue impact of this tax expenditure are unaffected by the phase-out of the corporate franchise tax for most taxpayers.

Minimal is defined as below $1,000,000 per year revenue impact.

Alcoholic Beverage Tax

In 1933, the year prohibition was repealed, the Department of Liquor Control was created and the General Assembly enacted tax levies on beer, wine, and other non-spirituous beverages. A liquor gallonage tax was added a year later. As of July 1, 1997, the Department of Liquor Control was changed to a division and was transferred to the Department of Commerce. The Division of Liquor Control administers the liquor gallonage tax. The Department of Taxation administers the tax on all other alcoholic beverages.

Tax Base

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

Tax Rates

Beer	
Barrel (31 gallons)	$5.58
Containers (over 12 oz.) per 6 ounces	0.84 cent
Containers (12 oz. or less) per ounce	0.14 cent
Wine	
Less than 14% alcohol by volume	32 cents per gallon
14% to 21% alcohol by volume	$1.00 per gallon
Vermouth	$1.10 per gallon
Sparkling Wine, Champagne	$1.50 per gallon
Mixed Beverages	$1.20 per gallon
Cider	24 cents per gallon

Alcoholic Beverage Tax Expenditures

The estimates shown below reflect the estimated revenue gain to the state general revenue fund if the tax expenditures were repealed as of July 1, 2007.

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from returns filed with the Department of Taxation.

NOTE: See page 4 for description of data source codes.

35. Advanced payment credit/discount

Ohio Revised Code 4303.33, originally enacted 1963

Beer and malt beverage permit holders are eligible to receive a three percent credit on advance payments made on or before the 18th of the covered month. In addition, beer and malt beverage permit holders can receive a discount equal to the lesser of three percent of the payment remaining after deducting the advanced payment, or three-percent of the advanced payment, as long as the full monthly payment is received on or before the 10th of the month for the previous month's liability. Wine and mixed beverage permit holders are eligible to receive a three-percent credit on payments made on or before the 18th of the previous month's tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.4 million
FY 2009	$1.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.4 million. In fiscal year 2009, the value is estimated at $1.4 million.

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36. Sacramental wine exemption

Ohio Revised Code 4301.43, originally enacted 1964

Sacramental wine used in religious rites is exempt from the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

37. Small brewer's credit

Ohio Revised Code 4303.332, originally enacted 1982

Licensed Ohio beer producers 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 alcoholic beverage tax. The amount of the credit is equal to the excise tax paid on beer distributed in Ohio with a maximum credit equal to the tax on 9.3 million gallons. The taxpayer receives the credit in the year following payment of the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

38. Small wine producer's exemption

Ohio Revised Code 4303.333, originally enacted 1982

Licensed Ohio wine producers whose total production does not exceed 500,000 gallons a calendar year are eligible for an exemption from the alcoholic beverage tax. The amount of the exemption is equal to the entire excise tax payment minus two cents per gallon. The taxpayer receives the exemption in the year following payment of the alcoholic beverage tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A), (B), (C)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

The excise tax on cigarettes was first levied in 1931. The tax rate ranged from its original 2 cents per pack to 15 cents in 1971. The rate was reduced to 14 cents per pack in 1981 and cigarette sales became subject to the sales tax. The rate was increased to 24 cents per pack in January, 1993. It was increased to 55 cents per pack on July 1, 2002. The current rate of $1.25 per pack became effective July 1, 2005.

The excise tax on other tobacco products was levied beginning February, 1993. The current rate is 17 percent of wholesale price.

Tax Base
The sale, use, consumption, or storage of cigarettes in Ohio. The receipt or import of other tobacco products for resale.

Tax Rate
6.25 cents per cigarette (125 cents per package of 20 cigarettes). 17 percent on the wholesale price of other tobacco products.

Cigarette and Other Tobacco Products Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue gain to the state general revenue fund if the tax expenditures were repealed as of July 1, 2007.

NOTE: See page 4 for description of data source codes.

39. Discount for tax stamps

Ohio Revised Code 5743.05, originally enacted 1934

Cigarette excise taxpayers are eligible to receive a discount when purchasing cigarette excise tax stamps or meter impressions as a commission for affixing and canceling the stamps or meter impressions. The value of this discount is not less than 1.8 percent or more than 10 percent of the face value of the tax stamps and meter impressions. The current rate of this discount is 1.8 percent. Cigarette excise taxpayers shall not receive this tax stamp discount when payments are made when filing a monthly or semi-monthly return.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$16.4 million
FY 2009	$16.1 million

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 is estimated at $16.4 million. In fiscal year 2009, the value is estimated at $16.1 million.

40. Discount for timely payment of other tobacco products' excise tax

Ohio Revised Code 5743.52, originally enacted 1993

Wholesalers and retailers of other tobacco products (i.e., cigars, snuff, chewing tobacco, rolling tobacco, etc.) are eligible for a 2.5% percent discount for the timely payment of their other tobacco products excise tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

41. $300 monthly cigarette importation exemption

Ohio Revised Code 5743.331, 5741.02(C)(9), originally enacted 2005

Each month, persons in this state may use, store or consume cigarettes with up to $300 in wholesale value without being liable for unpaid Ohio use taxes, as long as the cigarettes are not resold.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$25.0 million
FY 2009	$25.0 million

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2008 is estimated at $25.0 million. In fiscal year 2009, the value is estimated at $25.0 million.

Minimal is defined as below $1,000,000 per year revenue impact.

The public utility excise tax 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 total public utility excise tax revenue collections. However, in 2001, electric and rural electric companies became subject to the kilowatt hour tax and electric companies also became subject to the corporate franchise tax (Am. Sub. Senate Bill 3, 123rd General Assembly), and these entities were no longer subject to the public utility excise tax. Also in 2001, natural gas companies began to pay their public utility excise tax on a different schedule (Am. Sub. Senate Bill 215, 123rd General Assembly) and became subject to the natural gas consumption tax (Am. Sub. Senate Bill 287, 123rd General Assembly). In 2005, telephone companies became subject to the corporate franchise tax (Am. Sub. House Bill 95, 125th General Assembly).

Tax Base

Gross receipts for all utilities. There is a minimum tax of $50 for each tax year.

Tax Rates

All utilities pay a rate of 4.75 percent, except pipeline companies pay 6.75 percent.

Public Utility Excise Tax Expenditures

The estimates shown below reflect the estimated revenue gain to all state funds - specifically the general revenue fund, the local government fund, and the local government revenue assistance fund - if the tax expenditure were repealed as of July 1, 2007. It is assumed that the repeal of a tax expenditure would have a full year's revenue effect in FY 2008 due to the payment method of the public utilities involved.

Data are primarily from public utility tax returns and other sources from the Ohio Department of Taxation. Data from the U.S. Census Bureau were also used.

42. Exemption for municipal utilities and non-profit waterworks
Ohio Revised Code 5727.05, originally enacted 1896

Municipal utilities and non-profit corporations that are engaged exclusively in the treatment, distribution, and sale of water to consumers are exempt from the public utility excise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$60.4 million
FY 2009	$60.4 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $60.4 million. In fiscal year 2009, the value is estimated at $60.4 million.

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43. $25,000 exemption from gross receipts for each public utility company
Ohio Revised Code 5727.33, originally enacted 1934

Each public utility company receives an exemption for the first $25,000 of gross receipts for the purposes of the public utility excise tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

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44. Deduction for sales to other public utilities for resale
Ohio Revised Code 5727.33(B)(4), originally enacted 1961

Public utilities are allowed to deduct sales to other public utilities when the services are to be resold by that public utility.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

45. Credit for certain natural gas companies

Ohio Revised Code 5727.29, originally enacted 2000

Natural gas companies that pay the public utility excise tax on a current-quarter system are granted a tax credit for the transition costs from the previous tax schedule.

	Projected Revenue Gain from the Repeal of Tax Expenditure
FY 2008	$8.6 million
FY 2009	$8.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $8.6 million. In fiscal year 2009, the value is estimated at $8.6 million.

Kilowatt Hour Tax

Am. Sub. Senate Bill 3 (123rd General Assembly) re-structured the electric industry in Ohio. Prior to this bill, 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 business taxpayers. Restructuring removed electric companies from the public utility excise tax and subjected them to the corporate franchise tax. It also lowered the assessment rate on much of their tangible personal property. To replace the revenue loss caused by shifting from the utility excise tax to the corporate franchise tax and the reduced property taxes, SB 3 created the kilowatt hour tax. This tax is levied on the electric distribution company and is based upon the end user's consumption of electricity, measured in kilowatt hours. Certain large consumers of electricity may choose to self-assess the tax partially based upon consumption and partially based on price. The kilowatt hour tax (and the self-assessor option) began in May 2001, with the tax first payable to the state in June 2001. Am. Sub. Senate Bill 287 (123rd General Assembly) allowed more taxpayers to self-assess because it lowered the qualifying threshold and capped the taxable consumption portion of the self assessors tax. This bill also expanded the tax exemption to include electricity distributed to qualified regenerators.

Tax Base

Kilowatt Hour Tax Base:	Amount of kilowatt hours distributed to the end consumer.
Self-Assessor Option Base:	Combination of price and consumption measured in kilowatt hours, on the first 504 million kilowatt hours.

Tax Rates

Kilowatt Hour Tax:

Kilowatt Hours Distributed to the End Users per month	Rates per Kilowatt Hour
0 - 2,000 Kilowatts	$0.00465
2,001 - 15,000 Kilowatts	$0.00419
Over 15,000 Kilowatts	$0.00363

Self-Assessor Option Tax:

The sum of 4 percent of price plus 0.75 mills ($0.00075) per kilowatt hour consumed on the first 504 million kilowatt hours of annual consumption.

Kilowatt Hour Tax Expenditure Estimate

The estimate shown below reflects the estimated revenue gain to all state funds - the general revenue fund, the local government fund, the local government revenue assistance fund, the school district property tax replacement fund, and the local government property tax replacement fund - if the tax expenditures were repealed on July 1, 2007. Due to the monthly remittance of kilowatt hour tax, it is assumed that the repeal of a tax expenditure would produce only eleven months' revenue gain for fiscal year 2008.

Data used to estimate the expenditure were primarily from tax return filings and contact with industry, although information from the Energy Information Agency (U.S. Department of Energy) was also used.

NOTE: See page 4 for description of data source codes.

46. Exempts certain end users from the kilowatt hour tax

Ohio Revised Code 5727.81(D), originally enacted 2000

Exempts from the kilowatt hour and the self-assessor option tax the distribution of any kilowatt hours of electricity to certain end users that meet certain requirements in the Ohio Revised Code.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$4.9 million
FY 2009	$5.3 million

Data Source Code: (A),(C)

The value of this tax expenditure in fiscal year 2008 is estimated at $5.3 million. In fiscal year 2009, the value is estimated at $5.3 million.

Ohio was first authorized to levy an income tax in 1912 by a constitutional amendment. However, it was 60 years later before the first state individual income tax was enacted 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.

Tax Base

The amount reported as federal adjusted gross income to the U.S. Internal Revenue Service plus or minus adjustments according to Ohio income tax law.

Tax Rate

Ohio has a graduated income tax with nine rate classes, ranging from under $5,000 to over $200,000. In tax year (TY) 2004 the rate in the bottom class was 0.743 percent and the rate in the top class was 7.5 percent. However, Am. Sub. House Bill 66 of the 126th General Assembly provided for a 21 percent reduction in personal income tax rates over a five year period starting in TY 2005. The rates are to be reduced by approximately 4.2 percent per year until TY 2009, at which time the tax rate on the bottom tier of income will be 0.587 percent and the rate on the top tier will be 5.925 percent. Thus for TY 2007 (fiscal year 2008) the tax expenditures estimates assume a nine-tiered rate structure with a rate of 0.649 percent on income below $5,000 and a rate of 6.555 percent on income above $200,000. The corresponding rates for TY 2008 (fiscal year 2009) are 0.618 percent and 6.240 percent, respectively.

H.B. 66 made some additional changes to the individual income tax. First, it postponed the indexing of the individual brackets, which had been due to begin in TY 2005, pursuant to Am. Sub. Senate Bill 261 of the 124th General Assembly. The indexing is now scheduled to begin in TY 2010.

Significant Changes Enacted by the 126th General Assembly

H.B. 66 also created a new tax credit for low-income taxpayers. The credit essentially exempts from the personal income tax those taxpayers whose Ohio taxable income (that is, Ohio adjusted gross income less personal exemptions) is less than $10,000. This provision is included as a new tax expenditure in this report.

H.B. 66 also eliminated the tax deduction for qualified tuition and fees. The deduction was available for certain tuition expenses and fees paid to a state institution or other post-secondary institution located in Ohio. TY 2005 was the last year that this deduction was available; thus it has been eliminated from the tax expenditure report.

Other changes to the personal income tax made by the 126th General Assembly include the exemption of certain qualifying (pre-1972) trusts from the income tax, the exclusion of certain military income from the income tax, and a change in the definition of domicile. The pre-1972 trust exemption was enacted by Am. Sub. House Bill 530 and is included as a tax expenditure in this report. The other two changes were enacted by Sub. House Bill 73. The exclusion for certain military income is included as a new tax expenditure in this report. The change in the definition of domicile is considered a change in the conceptualization of the tax base, and therefore it is not considered a tax expenditure.

Individual Income Tax Expenditures

The estimates shown below reflect the estimated revenue gain to all state funds - specifically, the general revenue fund, the local government fund, the local government revenue assistance fund, and the library and local government support fund - if the tax expenditures were repealed as of July 1, 2007. It is assumed that the repeal of a tax expenditure would have no effect in tax year 2007 on those taxpayers whose tax year ends prior to July 1, 2007. Thus, in some cases, the state would not receive a full year's amount of tax revenue in fiscal year 2008 if the tax expenditure were repealed on July 1, 2007.

However, for the most part, it is assumed that personal income taxpayers have a calendar year fiscal year, so that the repeal of a tax expenditure effective July 1, 2007 would have a full fiscal year impact in FY 2008.

In addition, we have attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that would also dampen the potential revenue gain of the repealed tax expenditure.

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information taken from personal income tax returns filed with the Department of Taxation for tax years 2003 and 2004. However, some of the estimates were derived from secondary data sources, such as the Internal Revenue Service, other state agencies and published public finance research.

NOTE: See page 4 for description of data source codes.

Exclusions and Deductions from Income

47. Exemption for social security and railroad retirement benefits

Ohio Revised Code 5747.01(A)(5), originally enacted 1972

All social security and railroad retirement benefits included in federal adjusted gross income may be excluded from the calculation of Ohio adjusted gross income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$240.0 million
FY 2009	$254.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $245.8 million. In fiscal year 2009, the value is estimated at $260.6 million.

48. Deduction for personal exemption
Ohio Revised Code 5747.025, originally enacted 1972

A deduction of $1,450 may be claimed for the taxpayer, taxpayer's spouse, and each dependent in tax year 2007. This deduction will increase to $1,500 in 2008.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$558.8 million
FY 2009	$557.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $579.2 million. In fiscal year 2009, the value is estimated at $577.1 million.

49. Deduction for college savings programs
Ohio Revised Code 5747.01(A)(10) and 5747.70, originally enacted 1999

A taxpayer may receive a deduction, limited to $2,000 per beneficiary, for contributions to either the prepaid tuition or variable college savings programs.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$8.7 million
FY 2009	$8.6 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $8.9 million. In fiscal year 2009, the value is estimated at $8.8 million.

50. Exemption for disability income
Ohio Revised Code 5747.01(A)(4),originally enacted 1972

Disability income included in federal adjusted gross income is excluded from the calculation of Ohio adjusted gross income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$32.8 million
FY 2009	$33.1 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $33.9 million. In fiscal year 2009, the value is estimated at $34.2 million.

51. Deduction for contributions to medical savings accounts

Ohio Revised Code 5747.01(A)(14), originally enacted 1996

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

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---$1.2 million

FY 2009 ---$1.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.3 million. In fiscal year 2009, the value is estimated at $1.3 million.

52. Deduction for excess medical expenses

Ohio Revised Code 5747.01(A)(11), originally enacted 1999

Qualifying taxpayers may claim a deduction for excess medical expenses above 7.5% of their federal adjusted gross income.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $17.3 million

FY 2009 -- $18.2 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $18.6 million. In fiscal year 2009, the value is estimated at $19.6 million.

53. Deduction for taxpayers ineligible for employer-sponsored medical plans

Ohio Revised Code 5747.01(A), originally enacted 1999

Qualifying taxpayers ineligible to participate in an employer-sponsored medical plan may deduct any amounts paid for medical care insurance.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $44.3 million

FY 2009 -- $44.6 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2008 is estimated at $49.2 million. In fiscal year 2009, the value is estimated at $49.5 million.

54. Deduction for long-term care insurance premiums

Ohio Revised Code 5747.01(A), originally enacted 1999

A taxpayer may deduct the full amount of long-term health care (LTC) premiums.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$9.1 million
FY 2009	$9.6 million

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $10.1 million. In fiscal year 2009, the value is estimated at $10.6 million.

55. Pre-1972 trusts

Ohio Revised Code 5747.01(FF) and 5751.01(E)(11), originally enacted 2006

Qualifying trusts created before 1972 that elect to be subject to the commercial activity tax (CAT) are exempt from the personal income tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$13.5 million
FY 2009	$18.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $18.0 million. In fiscal year 2009, the value is estimated at $18.0 million.

56. Exemption for active duty military income

Ohio Revised Code 5747.01(A)(24), originally enacted 2006

Military income included in federal adjusted gross income may be excluded from the calculation of Ohio adjusted gross income if the pay is received for active duty service in military, military reserve or national guard outside the state.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$20.7 million
FY 2009	$19.8 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $28.7 million. In fiscal year 2009, the value is estimated at $29.3 million.

Credits

57. Low income credit

Ohio Revised Code 5747.056, originally enacted 2005

Taxpayers having Ohio adjusted gross income less exemptions of $10,000 or less may receive a credit that would eliminate their tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$13.0 million
FY 2009	$11.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $30.6 million. In fiscal year 2009, the value is estimated at $27.8 million.

58. $20 personal exemption credit

Ohio Revised Code 5747.022, originally enacted 1983

Taxpayer may claim a $20 credit for each personal exemption claimed.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$162.8 million
FY 2009	$163.7 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $194.8 million. In fiscal year 2009, the value is estimated at $194.6 million.

59. $50 senior citizen credit

Ohio Revised Code 5747.05(C), originally enacted 1972

Senior citizens receive a $50 tax credit per return.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$26.6 million
FY 2009	$26.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $34.7 million. In fiscal year 2009, the value is estimated at $35.2 million.

60. Retirement income credit

Ohio Revised Code 5747.055, originally enacted 1983

Taxpayers with qualified retirement income included in Ohio adjusted gross income receive a tax credit up to $200.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$127.9 million
FY 2009	$132.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $143.1 million. In fiscal year 2009, the value is estimated at $148.8 million.

61. Resident credit for income taxed by another state

Ohio Revised Code 5747.05, originally enacted 1972

Ohio residents may claim a credit for taxes paid to another state.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$107.8 million
FY 2009	$106.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $107.8 million. In fiscal year 2009, the value is estimated at $106.5 million.

62. Joint filer credit

Ohio Revised Code 5747.05(G), originally enacted 1973

Taxpayers using married filing joint status may claim a joint filing credit if each spouse has at least $500 in earned income.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$247.6 million
FY 2009	$242.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $265.3 million. In fiscal year 2009, the value is estimated at $259.3 million.

63. Dependent care credit

Ohio Revised Code 5747.054, originally enacted 1988

Taxpayers with qualifying child and dependent care expenses and income below $40,000 can claim a credit based on the federal dependent care credit.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$9.4 million
FY 2009	$9.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $17.3 million. In fiscal year 2009, the value is estimated at $18.4 million.

64. Lump sum retirement income credit

Ohio Revised Code 5747.055(C) through (E), originally enacted 1972

Lump sum distributions received on account of retirement from a qualified retirement plan may be given special tax treatment. The entire balance in the account must be received during one year.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$2.2 million
FY 2009	$2.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $17.3 million. In fiscal year 2009, the value is estimated at $18.5 million.

65. Lump sum distribution credit

Ohio Revised Code 5747.05(D), originally enacted 1972

A taxpayer aged 65 or over who receives a lump-sum distribution from a pension, retirement, or profit-sharing plan on account of retirement or separation from employment is eligible for a credit of $50 multiplied by the number of expected remaining life years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $3.0 million. In fiscal year 2009, the value is estimated at $3.3 million.

Minimal is defined as below $1,000,000 per year revenue impact.

66. Displaced worker job training credit

Ohio Revised Code 5747.27 originally enacted 1994

A taxpayer who pays for his or her own job training within 12 months of losing his or her job due to a plant closing may claim a tax credit for the cost of the training. The credit is the lesser of $500 or 50 percent of the cost of training.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.5 million
FY 2009	$1.5 million

Data Source Code: (A)

> The value of this tax expenditure in fiscal year 2008 is estimated at $1.8 million. In fiscal year 2009, the value is estimated at $1.9 million.

67. Campaign contribution credit

Ohio Revised Code 5747.29, originally enacted 1995

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$5.6 million
FY 2009	$6.0 million

Data Source Code: (A)

> The value of this tax expenditure in fiscal year 2008 is estimated at $5.7 million. In fiscal year 2009, the value is estimated at $6.0 million.

68. Credit for adoption related expenses

Ohio Revised Code 5747.37, originally enacted 1999

Taxpayers participating in a legal adoption can receive a personal income tax credit of $500 per child for adoption related expenses.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.0 million
FY 2009	$1.0 million

Data Source Code: (A), (C)

> The value of this tax expenditure in fiscal year 2008 is estimated at $1.3 million. In fiscal year 2009, the value is estimated at $1.3 million.

69. Ethanol plant investment credit*

Ohio Revised Code 5733.46 and 5747.75, originally enacted 2002

Investors in a certified Ohio ethanol production plant may take a nonrefundable credit equal to the lesser of 50 percent of the funds invested in the facility or $5,000.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 --- $0.0
FY 2009 --- $0.0

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $0.0.
In fiscal year 2009, the value is estimated at $0.0.

70. Technology Investment Tax Credit ("Edison Center" Tax Credit)**

Ohio Revised Code 5747.33, 5733.35, 5727.41,5707.05, originally enacted 1996

A tax credit is available for investors who provide capital for small, Ohio-based research and development and technology transfer companies.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 -- $3.1 million
FY 2009 -- $3.1 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2008 is estimated at $3.1 million.
In fiscal year 2009, the value is estimated at $3.1 million.

* This credit is also available to qualifying corporate franchise taxpayers. The estimated amount of this credit attributable to the franchise tax is included in this estimate.

** This credit is also available to qualifying corporate franchise taxpayers, public utilities and dealers in intangibles. This estimate includes the estimated credit amount attributable to those taxpayers, as well.

Minimal is defined as below $1,000,000 per year revenue impact.

Sales and Use Tax

The sales and use tax was enacted in 1934 at a rate of three percent and went into effect on January 27, 1935. In 1967 the rate was increased to four percent. After a temporary five percent sales tax rate was imposed during the period of January through June 1981, a permanent five percent rate was adopted in November 1981. Until 1981 the sales and use tax was restricted to the sale or rental of tangible personal property. In November 1981 the tax base was extended to selected services. Since then, additional services have been made subject to sales and use tax. Authority to levy a permissive sales tax was given to counties in 1967 and to transit authorities in 1974.

Am. Sub. HB 95 (125th General Assembly; FY 2004-FY 2005 biennial budget bill) temporarily increased the state sales tax rate from five percent to six percent. This temporary increase was imposed for the period of July 1, 2003 through June 30, 2005 (the FY 2004-FY 2005 biennium). The rate was decreased to five and one-half percent effective July 1, 2005.

Tax Base

The sale and rental of tangible personal property and selected services.

Tax Rate

Five and one-half percent. Permissive sales tax may be imposed in any county at a rate between 0.25 percent and 3.0 percent; such taxes are not reflected in the figures provided in this report.

Significant Changes Enacted by the 126th General Assembly

Am. Sub. HB 66 (126th General Assembly) made several changes to sales and use tax expenditures. Although the vendor's discount for timely remittance of sales tax was temporarily increased (from 0.75 percent to 0.90 percent of collections) during the FY 2004-2005 and FY 2006-2007 biennia, the discount rate is scheduled to revert to the 0.75 percent rate on July 1, 2007. A provision within HB 66 also repealed the sales and use tax exemption for purchases of investment coins and bullion.

Am. Sub. HB 699 specifically extended to air carriers the exemption for tangible personal property purchased by public utilities. Air carriers and other holders of certificates of convenience have previously been covered by this exemption through precedent and case law, but this is the first time the exemption has been explicitly provided by statute.

Sales and Use Tax Expenditure Estimates

The estimates shown below reflect the estimated gain to all state funds - specifically the state's General Revenue Fund, the Local Government Fund and the Local Government Revenue Assistance Fund - if the tax expenditures were repealed as of July 1, 2007. The sales tax expenditures assume 96 percent of a full year's revenue gain would be realized from the repeal of a tax expenditure in FY 2008 due to cash flow considerations.

In addition, the estimates incorporate other factors potentially affecting each tax expenditure's revenue yield. We have attempted to reflect the impact of taxpayer behavior if the tax expenditure were to be repealed.[1] Because certain taxpayers may not comply (at least initially) with repeal of the tax credit, exclusion or exemption, we have attempted to factor compliance issues into the estimated revenue yield. We have also attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exclusions or exemptions available to the taxpayer) that could dampen the potential revenue gain of the repealed tax expenditure.

Numerous data sources were used for these tax expenditure estimates. Estimates generally relied upon secondary sources including 1997 and 2002 census data (U.S. Census Bureau), statistical data published by other federal agencies, industry data sources and information produced by academic, public, and not-for-profit research institutes.

NOTE: See page 4 for description of data source codes.

[1] These estimates reflect only the direct taxpayer behavioral effects on that revenue source if the tax expenditure were repealed. The estimates do not reflect potential "secondary" revenue impacts on other revenue sources that may stem from the economic change engendered by the repealed tax expenditure.

71. Copyrighted motion pictures and films
Ohio Revised Code 5739.01(B)(5), originally enacted 1945

Rental or sale of copyrighted motion pictures for exhibition purposes, unless solely used for advertising, is exempt from the sales and use tax. Rentals of videotaped motion pictures, DVDs, or similar items for private home use are taxable.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$7.8 million
FY 2009	$8.5 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $10.8 million. In fiscal year 2009, the value is estimated at $11.3 million

72. Value of motor vehicle trade-ins
Ohio Revised Code 5739.01(H)(2), originally enacted 1981

The value of vehicles traded-in on the purchase of new motor vehicles is exempt from sales and use tax and may be deducted from the taxable base of the new motor vehicle.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$142.8 million
FY 2009	$159.9 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $161.1 million. In fiscal year 2009, the value is estimated at $172.9 million

73. Refundable deposits on beverage containers
Ohio Revised Code 5739.01(H)(1), originally enacted 1979

Refundable deposits on beverage containers are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.2 million. In fiscal year 2009, the value is estimated at $1.2 million

Minimal is defined as below $1,000,000 per year revenue impact.

74. Tangible personal property used or consumed in commercial fishing
Ohio Revised Code 5739.02(B)(42), originally enacted 1945

Purchases of tangible personal property used or consumed in commercial fishing are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 and 2009 is minimal.

75. Tangible personal property used or consumed in agriculture and mining
Ohio Revised Code 5739.02(B)(42), originally enacted 1935

Purchases of tangible personal property used or consumed directly in producing a product sold by mining, farming, agricultural, horticultural, or floricultural operations or in the production of crude oil, mining, or natural gas are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$151.9 million
FY 2009	$183.9 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $226.7 million. In fiscal year 2009, the value is estimated at $234.0 million.

Minimal is defined as below $1,000,000 per year revenue impact.

76. Tangible personal property used directly in providing public utility services
Ohio Revised Code 5739.02(B)(42), originally enacted 1935

Property and fuel used in the production, transportation, or distribution of a public utility service or used in the repair and maintenance of machinery and equipment used directly in providing a public utility service is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$75.3 million
FY 2009	$79.1 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $85.3 million. In fiscal year 2009, the value is estimated at $85.9 million.

77. Tangible personal property used to produce printed materials
Ohio Revised Code 5739.02(B)(42), originally enacted 1973

Machinery, equipment, and material used in the production for sale of printed, lithographic, photostatic, or other graphic productions or re-productions, and of magazines distributed as controlled circulation publications are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$22.0 million
FY 2009	$23.8 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $111.3 million. In fiscal year 2009, the value is estimated at $109.1 million.

78. Qualified tangible personal property used in making retail sales
Ohio Revised Code 5739.02(B)(42), originally enacted 1935

Sales of advertising material or catalogs used or consumed in making retail sales that price and describe property, and sales to direct marketing vendors of materials that will be primarily used in printing advertising material and of equipment primarily used to accept orders for direct marketing retail sales, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$26.5 million
FY 2009	$30.0 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $33.6 million. In fiscal year 2009, the value is estimated at $34.4 million.

79. Sales to the state, any of its political subdivisions and to certain other states

Ohio Revised Code 5739.02(B)(1), originally enacted 1935

Sales of supplies, equipment, or any other normally taxable item to the State of Ohio, to any of its political subdivisions, or to any state and its subdivisions that exempt from taxation sales to this state and its subdivisions are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$142.9 million
FY 2009	$156.5 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $159.2 million. In fiscal year 2009, the value is estimated at $167.3 million.

80. Food sold to students on school premises

Ohio Revised Code 5739.02(B)(3), originally enacted 1937

Sales of food to students in a cafeteria, dormitory, fraternity, or sorority maintained in a private, public, or parochial school, college, or university are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$19.8 million
FY 2009	$21.8 million

Data Source Code: (B),(C)

The value of this tax expenditure in fiscal year 2008 is estimated at $24.9 million. In fiscal year 2009, the value is estimated at $26.3 million.

81. Newspapers

Ohio Revised Code 5739.02(B)(4), originally enacted 1935

Newspapers purchased at places of business, vending machines, or through subscription and published at least bi-weekly are exempt from sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$19.1 million
FY 2009	$21.4 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $23.4 million. In fiscal year 2009, the value is estimated at $23.8 million.

Minimal is defined as below $1,000,000 per year revenue impact.

82. Magazine subscriptions

Ohio Revised Code 5739.02(B)(4), originally enacted 1935

Magazine subscriptions and company newsletters, organizational magazines, or other controlled circulation material are exempt from the sales and use tax. Individual magazine purchases of magazines are taxable.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$18.5 million
FY 2009	$20.8 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $22.7 million. In fiscal year 2009, the value is estimated at $23.1 million.

83. Casual sales

Ohio Revised Code 5739.02(B)(8), originally enacted 1935

Sales of used items by persons not engaged in business, except for motor vehicles, watercraft, outboard motors, snowmobiles, and all purpose vehicles are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$34.4 million
FY 2009	$37.7 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $389.5 million. In fiscal year 2009, the value is estimated at $408.7 million.

84. Sales by churches and certain non-profit organizations

Ohio Revised Code 5739.02(B)(9), originally enacted 1961

Sales by churches, 501(c)(3) organizations, and to certain other non-profit organizations are exempt from the sales and use tax, if the number of days on which sales are made does not exceed six in any calendar year.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$19.7 million
FY 2009	$22.2 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $28.3 million. In fiscal year 2009, the value is estimated at $30.4 million.

85. Transportation of persons or property

Ohio Revised Code 5739.02(B)(11), originally enacted 1935

Transportation of property and most transportation of persons is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$162.9 million
FY 2009	$175.7 million

Data Source Code: (A)(B)

The value of this tax expenditure in fiscal year 2008 is estimated at $202.7 million. In fiscal year 2009, the value is estimated at $209.7 million.

86. Sales to churches and certain other types of non-profit organizations

Ohio Revised Code 5739.02(B)(12), originally enacted 1935

Sales to churches, 501(C)(3) organizations, and certain other types of non-profit organizations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$236.9 million
FY 2009	$266.5 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $283.9 million. In fiscal year 2009, the value is estimated at $289.6 million.

87. Building and construction materials used in tax exempt structures

Ohio Revised Code 5739.02(B)(13), originally enacted 1959

Building and construction material sold to contractors for incorporation into real property constructed for federal, state, and local governments; religious institutions; non-profit organizations; horticultural and livestock industries; and certain other organizations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$201.1 million
FY 2009	$235.7 million

The value of this tax expenditure in fiscal year 2008 is estimated at $287.6 million. In fiscal year 2009, the value is estimated at $306.3 million.

Data Source Code: (B)

Minimal is defined as below $1,000,000 per year revenue impact.

88. Ships and rail rolling stock used in interstate and foreign commerce
Ohio Revised Code 5739.02(B)(14), originally enacted 1938

Sales of ships, vessels, and rail rolling stock used principally in interstate or foreign commerce, and repairs, alterations, fuel, and lubricants for such ships, vessels, and rail rolling stock are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

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89. Packaging and packaging equipment
Ohio Revised Code 5739.02(B)(15), originally enacted 1961

Packaging materials and packaging equipment, including labeling materials and labeling equipment, sold to manufacturers and other qualified businesses are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$314.7 million
FY 2009	$350.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $395.7 million. In fiscal year 2009, the value is estimated at $400.8 million.

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90. Emergency and fire protection vehicles
Ohio Revised Code 5739.02(B)(20), originally enacted 1965

Sales of emergency and fire protection vehicles and equipment to non-profit organizations for use solely in providing fire protection and emergency services, including trauma care and emergency medical services, to political subdivisions are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.0 million
FY 2009	$1.1 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.1 million. In fiscal year 2009, the value is estimated at $1.2 million.

Minimal is defined as below $1,000,000 per year revenue impact.

91. Sales of property used in non-profit presentations of music, dramatics, the arts, and related fields

Ohio Revised Code 5739.02(B)(12), originally enacted 1982

Tangible personal property used by non-profit community centers that produce or make presentations in music, dramatics, the arts, and related fields to foster public interest and education therein are exempt from the sales and use tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---------- minimal
FY 2009 ---------- minimal

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.4 million. In fiscal year 2009, the value is estimated at $2.5 million.

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92. Motor vehicles sold in Ohio for use outside the state

Ohio Revised Code 5739.02(B)(23), originally enacted 1971

Motor vehicles sold in Ohio to non-residents, when the vehicles are immediately removed from Ohio and registered outside of Ohio, are exempt from the sales and use tax.

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---------- $51.0 million
FY 2009 ---------- $53.9 million

Data Source Code: (B),(C)

The value of this tax expenditure in fiscal year 2008 is estimated at $79.1 million. In fiscal year 2009, the value is estimated at $80.0 million.

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93. Agricultural property (use on use)

Ohio Revised Code 5739.02(B)(17), originally enacted 1961

Sales to persons engaged in farming, agriculture, horticulture, or floriculture of property that is used directly in the production of property that, in turn, is used directly in the production of a product for sale are exempt from sales and use tax ("use on use").

Projected Revenue Gain from Repeal of Tax Expenditure

FY 2008 ---------- minimal
FY 2009 ---------- minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

94. Property for use in a retail business outside of Ohio

Ohio Revised Code 5739.02(B)(21), originally enacted 1968

Property manufactured in Ohio and sold to a retailer for use in the retailer's business outside of Ohio is exempt from the sales and use tax if possession of the property is taken in Ohio and immediately removed from the state in a vehicle owned by the purchaser.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

95. Sales to non-commercial educational broadcast stations

Ohio Revised Code 5739.02(B)(12), originally enacted 1981

Sales to non-commercial educational radio or television broadcasting stations are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B), (C)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

96. Sales of animals by non-profit animal shelters

Ohio Revised Code 5739.02(B)(28), originally enacted 1981

Sales of animals by non-profit animal shelters and county humane societies are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

97. Tangible personal property used in storing, preparing, and serving food

Ohio Revised Code 5739.02(B)(27), originally enacted 1981

Tangible personal property used in preparing, storing, or serving food in a commercial food establishment, and used to clean or maintain such items is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$13.7 million
FY 2009	$17.0 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $36.8 million. In fiscal year 2009, the value is estimated at $39.0 million.

98. Property used in air, noise, or water pollution control

Ohio Revised Code 5709.20, 5709.25, originally enacted 1965

Tangible personal property used in industrial air, noise, or water pollution control facilities by holders of pollution control certificates is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$2.4 million
FY 2009	$2.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.5 million. In fiscal year 2009, the value is estimated at $2.5 million.

99. Bulk water for residential use

Ohio Revised Code 5739.02(B)(25), originally enacted 1978

Sales of water (mainly delivered by truck to rural areas) for residential use, except for sales of bottled, mineral, or carbonated water, or of ice, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

100. Property used in energy or waste conversion facilities

Ohio Revised Code 5709.20, 5709.25, originally enacted 1978

Tangible personal property used in energy conversion, solid waste conversion, or thermal efficiency improvement facilities by holders of energy conversion or thermal efficiency improvement certificates is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

101. 0.75 percent discount for vendors

Ohio Revised Code 5739.12, 5741.12, originally enacted 1981

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$48.6 million
FY 2009	$52.8 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $52.0 million. In fiscal year 2009, the value is estimated at $54.2 million.

102. Agricultural land tile and portable grain bins

Ohio Revised Code 5739.02(B)(30) and (31), originally enacted 1985

Land tile for drainage purposes on land used for farming and agriculture, and portable grain bins used by a person engaged in farming or agriculture, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

103. Prescription drugs and selected medical supplies

Ohio Revised Code 5739.02(B)(18), originally enacted 1961

Sales of prescription drugs; insulin, urine, blood testing equipment, and hypodermic needles and syringes used by diabetics; epoetin alfa when used for individuals with end-stage renal disease; and hospital beds, oxygen, and respiratory equipment used by individuals for medical purposes are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$444.1 million
FY 2009	$518.6 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $726.4 million. In fiscal year 2009, the value is estimated at $813.6 million.

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104. Artificial limbs, prostheses, wheelchairs, and other durable medical equipment

Ohio Revised Code Section 5739.02(B)(19), originally enacted 1973

Sales of prosthetic devices, durable medical equipment, for home use, or mobility enhancing equipment when made pursuant to a prescription and when such devices or equipment are for use by a human being are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$8.3 million
FY 2009	$10.2 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $22.2 million. In fiscal year 2009, the value is estimated at $23.3 million.

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105. Property used in preparing eggs for sale

Ohio Revised Code Section 5739.02(B)(24),originally enacted 1974

Equipment and supplies used for the cleaning, sorting, preserving, handling, and packaging of eggs for sale are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.7 million
FY 2009	$1.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.3 million. In fiscal year 2009, the value is estimated at $2.3 million.

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106. Sales to veterans' headquarters
Ohio Revised Code Section 5739.02(B)(33), originally enacted 1986

Sales to the state headquarters of any veteran organization chartered by Congress or recognized by the Department of Veterans Affairs are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A), (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

107. Property and services sold to providers of telecommunication services
Ohio Revised Code Section 5739.02(B)(34), originally enacted 1987

Sales to a telecommunications service provider of tangible personal property and services used primarily in the provision of such services are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$41.8 million
FY 2009	$41.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $47.1 million. In fiscal year 2009, the value is estimated at $44.7 million.

108. Tangible property used primarily in manufacturing tangible personal property
Ohio Revised Code 5739.02(42), originally enacted 1935

Machinery, equipment, supplies, and fuel used primarily in a manufacturing operation to produce tangible personal property, and raw materials incorporated into tangible personal property by manufacturing, assembling, or processing for sale, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1,670.1 million
FY 2009	$1,896.1 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $4,580.9 million. In fiscal year 2009, the value is estimated at $4,725.1 million.

Minimal is defined as below $1,000,000 per year revenue impact.

109. Value of watercraft trade-ins

Ohio Revised Code 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 watercraft dealer is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$3.9 million
FY 2009	$4.1 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $4.3 million. In fiscal year 2009, the value is estimated at $4.3 million.

110. Sales to facilities financed with public hospital bonds

Ohio Revised Code 140.08, originally enacted 1971

Sales to homes for the aged or hospital facilities financed with public hospital bonds are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

111. Tangible personal property used in research and development

Ohio Revised Code 5739.02(B)(42)(i), originally enacted 1993

Qualified tangible personal property used in research and development equipment is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$41.4 million
FY 2009	$45.1 million

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $44.9 million. In fiscal year 2009, the value is estimated at $47.0 million.

Minimal is defined as below $1,000,000 per year revenue impact.

112. Property used in highway transportation for hire

Ohio Revised Code 5739.02(B)(32), originally enacted 1985

The sale, lease, repair, and maintenance of, parts for, and items attached to or incorporated in motor vehicles primarily used in transporting personal property by a person engaged in highway transportation for hire, are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$17.6 million
FY 2009	$20.3 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $24.0 million. In fiscal year 2009, the value is estimated at $25.2 million.

113. Property used to fulfill a warranty or service contract

Ohio Revised Code 5739.02(B)(42)(h), originally enacted 1986

Parts and labor used to fulfill a warranty that is provided as part of the price of tangible personal property sold, or 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 from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$51.7 million
FY 2009	$55.5 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $53.9 million. In fiscal year 2009, the value is estimated at $55.5 million.

114. Equipment used in private warehouses and distribution centers with inventory to be shipped out of state

Ohio Revised Code 5739.02(B)(42)(j),originally enacted 1994

Equipment purchased to use 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 this state either to the retail stores of the person who owns or controls the warehouse or distribution center or to customers when the warehouse is owned by a mail order business, is exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$5.4 million
FY 2009	$6.4 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $6.7 million. In fiscal year 2009, the value is estimated at $7.2 million.

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115. Twenty-five percent sales tax refund for purchases of qualified tangible personal property by electronic information service providers

Ohio Revised Code 5739.071, originally enacted 1993

Electronic information service providers are granted a 25 percent refund of the sales or use tax paid on purchases of computers, computer peripherals, software, telecommunications equipment, and related equipment. The property must be used primarily to acquire, process, or store information for business customers or disseminate information to such customers.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

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116. Sales of computers and computer equipment to certified teachers
Ohio Revised Code 5739.02(B)(37), originally enacted 1997

Sales of personal computers, computer keyboards, computer monitors, modems, 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 from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

117. Sales of qualified tangible personal property to qualified motor racing teams
Ohio Revised Code 5739.02(B)(38), originally enacted 1997

Sales of motor racing vehicles, repair services for motor racing vehicles, and items of property that are attached to or incorporated in motor racing vehicles of professional racing teams are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

118. Drugs distributed to physicians as free samples
Ohio Revised Code 5741.02(C)(7), originally enacted 2001

Drugs distributed to physicians licensed to prescribe, dispense, and administer drugs to a person in the course of professional practice, and that by law to be dispensed only by or upon the order of that physician are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$5.7 million
FY 2009	$6.3 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $6.8 million. In fiscal year 2009, the value is estimated at $7.2 million.

119. Qualified used manufactured and mobile homes
Ohio Revised Code 5739.02(B)(41),5741.02(C)(6), originally enacted 2000

Sales of qualified used manufactured and mobile homes are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$2.0 million
FY 2009	$2.0 million

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.2 million. In fiscal year 2009, the value is estimated at $2.2 million.

120. Sales of tangible personal property and services to providers of electricity
Ohio Revised Code 5739.02(B)(42), originally enacted 2000

Sales of tangible personal property and services to a provider of electricity used or consumed primarily in generating, transmitting, or distributing electricity for use by others, including property that is or is to be incorporated into and will become part of the consumer's production, transmission, or distribution system and that retains its classification of tangible personal property after incorporation; fuel or power used in the production, transmission, and distribution of electricity; and tangible personal property used in the repair and maintenance of the production, transmission, and distribution of electricity are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$251.0 million
FY 2009	$276.3 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2008 is estimated at $284.0 million. In fiscal year 2009, the value is estimated at $299.8 million.

121. Sales of tangible personal property and services for maintenance and repair of qualified fractionally-owned aircraft
Ohio Revised Code 5739.02(B)(44), originally enacted 2003

Sales of services and replacement and modifying parts for engines, airframes, instruments, and interiors in, and paint for, aircraft in a qualified fractional aircraft ownership program are exempt from the sales and use tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $2.0 million. In fiscal year 2009, the value is estimated at $2.3 million.

Minimal is defined as below $1,000,000 per year revenue impact.

122. $800 tax cap on the sum of the shares on a qualified fractionally-owned aircraft

Ohio Revised Code 5739.025(G), originally enacted 2003

The sales tax on the sum of the shares of a qualified fractionally-owned aircraft shall be a maximum of $800 and be allocated to each fractional owner by the percentage of the sales the owner has in that fractionally-owned aircraft.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	$1.0 million

Data Source Code: (A), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $4.3 million. In fiscal year 2009, the value is estimated at $4.4 million.

123. Sales of telecommunications services used primarily to perform the functions of a qualified call center

Ohio Revised Code 5739.02(B)(45), originally enacted 2003

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$14.7 million
FY 2009	$15.9 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $17.6 million. In fiscal year 2009, the value is estimated at $17.6 million.

Minimal is defined as below $1,000,000 per year revenue impact.

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

The foreign insurance tax was created in 1830, with a 4.0 percent property tax on profits from premiums. In 1852, the value of gross premiums (rather than 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.

Amended Substitute House Bill 215 of the 122nd General Assembly made numerous changes to the domestic and foreign insurance premium 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 shared the same base (gross premiums) and tax rate (1.4 percent). The bill also established a small insurers' tax credit, along with a minimum tax of $250.

Tax Base

The domestic and foreign insurers' tax base is the gross amount of premiums covering risks in Ohio, less specified deductions.

Tax Rate

Domestic and foreign insurers are taxed at 1.4 percent of gross premiums.

Insurance Premium Tax Expenditure Estimates

Each figure shown below reflects the estimated revenue gain to the state general revenue fund if the tax expenditure were repealed as of July 1, 2007. Insurance companies use a calendar year measurement period for purposes of computing the insurance premium tax. As a result, it is assumed that each taxpayer would be affected by the repealed credits beginning with its fiscal year 2008 tax payments, and thus there would be no corresponding impact on tax revenue cash flow for fiscal year 2008.

Data for these tax expenditures are from special computer runs completed by the Ohio Department of Insurance and from data provided by the Ohio Life and Health Guaranty Association. Assistance was also provided by these organizations regarding the projected growth of these tax expenditures.

NOTE: See page 4 for description of data source codes.

124. Ohio Life and Health Guaranty Association contribution credit

Ohio Revised Code 3956.20, originally enacted 1989

Members of the Ohio Life and Health and Guaranty Association who make contributions to a repayment fund used to pay Ohioans holding insurance policies with bankrupt companies are able to use up to 20 percent of their assessments as a credit on the state franchise or premium tax return for a period of five years.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

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125. Deduction for premiums received from qualified small business alliances

Ohio Revised Code 1731.07, originally enacted 1993

Premiums or other charges received from or on the behalf of an enrolled small employer and eligible employees and retirees under a health benefit plan provided by an insurer under a qualified alliance program may be deducted from insurer's gross premiums.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$8.0 million
FY 2009	$8.0 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $8.0 million. In fiscal year 2009, the value is estimated at $8.0 million.

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126. Credit for small insurers

Ohio Revised Code 5729.031, 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 $200,000 against their foreign or domestic insurance premium tax liability.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$3.5 million
FY 2009	$3.5 million

Data Source Code: (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $3.5 million. In fiscal year 2009, the value is estimated at $3.5 million.

Minimal is defined as below $1,000,000 per year revenue impact.

The inheritance tax was enacted in 1893 and levied on individual successions to property within the estate. In 1968, this inheritance tax was repealed and an estate tax was levied, shifting the tax base from individual heirs to the decedent's estate.

For estates with dates of death on or after January 1, 2002, 80 percent of the tax liability is distributed to the municipal corporation or township in which the assets of the estate are located and 20 percent is distributed to the state.

Tax Base

The taxable estate is the market value of the gross estate less debts and expenses.

Tax Rates

Taxable Estate Value Brackets	Tax Rate Imposed
0 - $ 40,000	2% of Taxable Estate Value
$40,001 - 100,000	$800 + 3% of excess over $40,000
100,001 - 200,000	2,600 + 4% of excess over 100,000
200,001 - 300,000	6,600 + 5% of excess over 200,000
300,001 - 500,000	11,600 + 6% of excess over 300,000
500,001 and over	23,600 + 7% of excess over 500,000

Estates with taxable value at or below $338,333 are exempt from the estate tax due to the maximum $13,900 credit available to each estate.

Estate Tax Expenditure Estimates

Each figure shown below reflects the estimated revenue gain to the state general revenue fund if the tax expenditure were repealed as of July 1, 2007. Estates are required to file a return within nine months of the decedent's date of death, with each estate being granted an automatic extension of three months. The tax is collected at the county level, and then distributed to the state in semi-annual settlements. These two effects would delay any significant state revenue impact until fiscal year 2009; even the fiscal year 2009 impact would be less than full-year in nature.

Data for these estimates are based upon estate tax returns finalized during fiscal year 2006.

NOTE: See page 4 for description of data source codes.

127. $13,900 Credit for each estate

Ohio Revised Code 5731.02 (B), originally enacted 1983

Estates with dates of death on or after January 1, 2002 are allowed a credit equal to the lesser of $13,900 or the amount of the tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$27.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $63.4 million. In fiscal year 2009, the value is estimated at $69.2 million.

128. Marital deduction

Ohio Revised Code 5731.161, originally enacted 1983

The portion of the estate passed on to the surviving spouse may be deducted from the gross estate value.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$9.4 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $27.6 million. In fiscal year 2009, the value is estimated at $27.6 million.

129. Bequests to charitable, religious, etc. organizations

Ohio Revised Code 5731.17, originally enacted 1968

Qualified charitable contributions may be deducted from the gross estate value.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$2.2 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $9.3 million. In fiscal year 2009, the value is estimated at $9.3 million.

130. Funeral and administration expenses and debts claimed against the estate
Ohio Revised Code 5731.16, originally enacted 1968

Funeral and administration expenses and debts claimed against the estate may be deducted from the gross estate value.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$2.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $8.5 million. In fiscal year 2009, the value is estimated at $8.5 million.

Minimal is defined as below $1,000,000 per year revenue impact.

Commercial Activity Tax

Established by Am. Sub. House Bill 66 (126th General Assembly) and made effective on July 1, 2005, the commercial activity tax (CAT) is a broad-based, low rate business privilege tax measured by gross receipts on business activities in this state. The tax was a crucial element in the tax reform package enacted by HB 66. By the time the CAT is fully phased-in over a five-year period, it will serve as Ohio's primary business tax, replacing both the tangible personal property tax and the corporate franchise tax.

Taxpayers

The CAT applies to business entities with taxable gross receipts of more than $150,000 per calendar year. The tax applies to most businesses above the $150,000 threshold, regardless of organizational form: sole proprietorships, partnerships, LLCs, and for-profit corporations are subject to the tax. Although the tax applies to most kinds of business entities, there are some notable exemptions. Non-profit entities are exempt from the tax, as are a fairly limited number of other businesses, such as companies subject to the public utility excise tax, insurance companies, financial institutions, and the affiliates of insurance companies and financial institutions. The CAT applies whether the business is based in this state or is located outside of this state as long as that business has "substantial nexus" with this state.

The tax is paid on an annual or quarterly basis. Each May, taxpayers with annual taxable gross receipts of $1 million or below must file an annual return and pay a $150 annual tax. All other taxpayers 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 (for example, taxes for the third quarter of 2007 are required to be paid by November 10, 2007).

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 income. Certain types of receipts are excluded from the definition of taxable gross receipts, including (but not limited to) cash discounts, certain types of interest, dividend, and capital gains income, income in the form of repayment principal of a loan, and gifts or charitable contributions.

Tax Rate

The CAT is levied at a rate of 0.26% on annual taxable gross receipts in excess of $1 million. (Each taxpayer pays $150 on its first $1 million in annual taxable gross receipts.) The CAT is being phased-in over five years. The tax rate in fiscal year 2006 equals 23% of the 0.26% rate (resulting in a 0.06% tax rate), the tax rate in fiscal year 2007 is 40% of the 0.26% rate (resulting in a 0.104% tax rate), and the increases continue at 20 percentage point increments thereafter until the 0.26% rate is implemented in fiscal year 2010.[1]

[1] In reality, the fiscal year 2007-2010 tax rates take effect on taxable gross receipts realized during the quarter immediately preceding the beginning of the fiscal year. For example, the 0.10% rate took effect in April 2006 (the second quarter of calendar year 2006) and the associated tax was not paid until August 2006 (fiscal year 2007). Under this arrangement, tax payments made during a specific fiscal year will all be at the same tax rate (with the exception of payments from prior periods due to audits, etc.).

Definition of Commercial Activity Tax Expenditures

Because the CAT is a new tax, it was necessary to develop and use specific criteria to determine which of its features constitute tax expenditures. In some ways, though, it was easier to define what a tax expenditure is *not* than what it is. Distilled to its essence, we consider any feature that is integral to the CAT tax base to not be eligible as a tax expenditure. Ohio Revised Code (ORC) sections 5751.01 and 5751.011 define the CAT tax base. Hence, the exemptions in ORC 5751.01 for various types of business entities, and the gross receipts exclusions/deductions in ORC 5751.01 and 5751.011, are not considered tax expenditures - with the important exception of those exclusions deemed to benefit a fairly narrow band or class of taxpayers.

Now that we have discussed what a tax expenditure is not, how do we describe what *is* a tax expenditure for purposes of the CAT? We define a CAT tax expenditure as being: (1) any exclusion, deduction or credit *not* contained in ORC sections 5751.01 and 5751.011; and (2) any gross receipts exclusion or deduction contained in ORC sections 5751.01 or 5751.011 that benefits a specific class of taxpayers. In all cases, the exclusion, deduction, or credit must produce tax savings and an associated loss in state tax revenue in order to be considered a tax expenditure.

Several items deserve specific mention. Four tax credits originally available against the corporate franchise tax become credits against the CAT beginning in fiscal year 2009. Those credits are included in this section of the report showing only their estimated fiscal year 2009 impact (the fiscal year 2008 impact is provided in the corporate franchise tax section of this report). Furthermore, the CAT exclusion for gross receipts realized from the sale of motor fuel expires on July 1, 2007 and therefore is not shown as a tax expenditure in this report. Finally, the credit for unused corporate franchise tax net operating losses is not included in this report because it may not be claimed until fiscal year 2010.

Commercial Activity Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue gain in state revenues if the tax expenditures were to be repealed as of July 1, 2007.[2] **(Note: Repealing any of these tax expenditures will have no impact on school districts and local governments since they are guaranteed to receive a designated amount of tangible personal property tax reimbursements, irrespective of the amount of CAT revenue generated.)** It is assumed that the repeal of a tax expenditure would first affect taxable gross receipts realized during the third quarter of calendar year 2007, and thus first affect tax revenues when the third quarter's taxes are paid in November 2007. Therefore, in most cases the state would receive 75 percent (three quarters) worth of a full year's amount of tax revenue in fiscal

[2] The General Revenue Fund (GRF) is not expected to receive any CAT revenues during the years covered by this report (fiscal years 2008 and 2009). All CAT revenues are scheduled to go the Local Government Tangible Property Tax Replacement Fund and the School District Tangible Property Tax Replacement Fund during those years. These two funds are for the exclusive purpose of reimbursing local governments and school districts, respectively, for the revenue foregone from the four-year phase-out of the general tangible personal property tax (and slightly longer phase-out of telephone property). In fact, transfers from the GRF are expected to be needed during fiscal year 2008 and 2009 to make the required reimbursement payments to local governments and school districts. To the extent any of the CAT tax expenditures are repealed, the concomitant revenue gain is expected to benefit the GRF (i.e., decrease or perhaps eliminate the GRF subsidy to the two local reimbursement funds) and have *no effect* on the two local funds and reimbursements from those funds.

year 2008 if the tax expenditure were repealed on July 1, 2007. This assumed one-time cash flow lag is reflected in the "Revenue Gain" estimates for fiscal year 2008 but not in the "Value of Tax Expenditure" estimates.

Because of the five-year CAT phase-in, the tax expenditure estimates for fiscal year 2008 reflect 60% of a "full-force" (0.26% tax rate) estimate and the estimates for fiscal year 2009 reflect 80% of a "full-force" estimate.[3] Therefore, the tax rates reflected in this report's CAT expenditure estimates are 0.156% for fiscal year 2008 and 0.208% for fiscal year 2009.

The estimates of these tax expenditures are based on various data sources. Some of the estimates use data reported to the Department of Taxation while other estimates were generated using secondary data sources, such as Economic Census data. We should note that most of the CAT expenditure estimates in this report are based on earlier estimates that were produced during the HB 66 legislative process.

NOTE: See page 4 for description of data source codes.

[3] Under ORC section 5751.032, if in September 2007 the Tax Commissioner determines that actual CAT collections for combined fiscal years 2006 and 2007 exceeded 110% or fell below 90% of prescribed tax collections for that period ($815 million), a commensurate CAT tax rate reduction or increase is to occur on January 1, 2008. This report assumes no such rate reduction or increase will occur, and that fiscal year 2008 tax collections will reflect that year's otherwise scheduled 0.156% tax rate.

131. Exemption for pre-1972 trusts

Ohio Revised Code 5751.01(E)(11), originally enacted 2006

The "pre-1972 trust", and any pass-through entity that the trust owns or controls, is exempt from the commercial activity tax if the trust did not make an election by April 15, 2006 to be exempt from Ohio individual income tax.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

132 Exclusion of first $1 million in taxable gross receipts

Ohio Revised Code 5751.03, originally enacted 2005

The first $1 million of each taxpayer's annual taxable gross receipts are not subject to the commercial activity tax rate. Instead, each taxpayer pays $150 on its first $1 million in annual taxable gross receipts.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$80.0 million
FY 2009	$149.9 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is estimated at $106.7 million. In fiscal year 2009, the value is estimated at $149.9 million.

133. Professional employer organization exclusion

Ohio Revised Code 5751.01(F)(2)(x), originally enacted 2005

Property, money, and other amounts received by a professional employer organization from a client employer, in excess of the administrative fee charged by the professional employer organization to the client employer, is excluded from the taxable gross receipts of the professional employer organization.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.0 million
FY 2009	$1.9 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.3 million. In fiscal year 2009, the value is estimated at $1.9 million.

Minimal is defined as below $1,000,000 per year revenue impact.

134. Receipts from motor vehicles transferred between dealers to meet a customer preference

Ohio Revised Code 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 taxable gross receipts of motor vehicle dealers.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	$1.3 million

Data Source Code: (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.0 million. In fiscal year 2009, the value is estimated at $1.3 million.

135. Receipts from certain services provided to financial institutions

Ohio Revised Code 5751.01(F)(2)(u), originally enacted 2005

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (C)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

136. Exclusion of real estate brokerage gross receipts which are not retained

Ohio Revised Code 5751.01(F)(3), originally enacted 2005

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.0 million
FY 2009	$2.0 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.4 million. In fiscal year 2009, the value is estimated at $2.0 million.

137. Anti-neoplastic drug exclusion

Ohio Revised Code 5751.01(F)(2)(v), originally enacted 2005

An amount equal to receipts realized from administering anti-neoplastic drug and other cancer chemotherapy, biologicals, therapeutic agents, and supportive drugs in a physician's office, to patients with cancer, is excluded from taxable gross receipts.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

Minimal is defined as below $1,000,000 per year revenue impact.

138. Qualifying distribution center receipts exclusion

Ohio Revised Code 5751.01(F)(2)(z), originally enacted 2006

Purchases made by a qualifying Ohio distribution center, and destined for a location outside of Ohio, are excluded from the supplier's taxable gross receipts. A qualifying Ohio distribution center is a facility in which the center's total sales exceed $500 million and more than 50% of the center's total sales are shipped to a location outside of Ohio.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$3.4 million
FY 2009	$6.0 million

Data Source Code: (B), (C)

The value of this tax expenditure in fiscal year 2008 is estimated at $36.9 million. In fiscal year 2009, the value is estimated at $49.2 million.

139. State and federal fuel excise tax exclusion

Ohio Revised Code 5751.01(F)(2)(r), originally enacted 2005

An amount equal to federal and state motor fuel excise taxes paid is excluded from the taxable gross receipts from the sale of motor fuel by a licensed motor fuel dealer, licensed retail dealer, or licensed permissive motor fuel dealer.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$15.4 million
FY 2009	$27.4 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $20.5 million. In fiscal year 2009, the value is estimated at $27.4 million.

140. State and federal cigarette excise tax exclusion

Ohio Revised Code 5751.01(F)(2)(q), originally enacted 2005

An amount equal to federal and state excise taxes paid for cigarette or tobacco products is excluded from the taxable gross receipts from the sale of such cigarette or tobacco products by a wholesale dealer, retail dealer, distributor, manufacturer or seller.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$2.6 million
FY 2009	$4.5 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $3.5 million. In fiscal year 2009, the value is estimated at $4.5 million.

141. State and federal alcoholic beverage excise tax exclusion

Ohio Revised Code 5751.01(F)(2)(s), originally enacted 2005

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

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$1.0 million
FY 2009	$1.8 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is estimated at $1.3 million. In fiscal year 2009, the value is estimated at $1.8 million.

142. Horse racing taxes paid and purse money exclusion

Ohio Revised Code 5751.01(F)(2)(y), originally enacted 2005

An amount equal to taxes paid on commissions according to the horse racing tax and an amount equal to purse money is excluded from the taxable gross receipts of horse racing permit holders.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	minimal
FY 2009	minimal

Data Source Code: (A), (B)

The value of this tax expenditure for fiscal year 2008 and 2009 is minimal.

143. Job creation credit*

Ohio Revised Code 122.17 and 5751.50(A), originally enacted 1993

Business that creates jobs within Ohio may be eligible for a refundable credit. The credit is a designated percentage of the amount of new income tax revenue (i.e., Ohio income tax withheld from "new employees", as defined in ORC 122.17) that is generated pursuant to an agreement between the business and the Ohio Tax Credit Authority.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$4.9 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is $0.0. In fiscal year 2009, the value is estimated at $49.2 million.

* For fiscal year 2008, this credit is available to corporate franchise taxpayers and individual income taxpayers. Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.

Minimal is defined as below $1,000,000 per year revenue impact.

144. Credit for increased qualified research and development*
Ohio Revised Code 5751.51, originally enacted 2002

Corporations may take a nonrefundable credit equal to seven percent of the increased qualified research expenses incurred in Ohio.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$10.0 million

Data Source Code: (A)

The value of this tax expenditure in fiscal year 2008 is $0.0. In fiscal year 2009, the value is estimated at $10.5 million.

145. Research and development loan program credit*
Ohio Revised Code 5751.52, originally enacted 2003

Borrowers in the Research and Development Loan Fund Program are eligible for nonrefundable and limited transferable tax credits for qualified payments made on loans issued from the fund by the Director of Development.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$3.6 million

Data Source Code: (A), (B)

The value of this tax expenditure in fiscal year 2008 is $0.0. In fiscal year 2009, the value is estimated at $3.6 million.

* For fiscal year 2008, this credit is available to corporate franchise taxpayers. Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.

146. Job retention tax credit*

Ohio Revised Code 122.171, originally enacted 2001

A qualifying business that, over a three-year period, makes at least $200 million in capital investments at a manufacturing project site and has an average of at least 1,000 full-time employees at the site, may be granted a nonrefundable credit equal to a designated percentage of the employees' state personal income withholding tax (not to exceed 75 percent) over a period of 15 years. A credit may also be granted to a qualifying business meeting the following requirements: at least $100 million in capital investments at the project site over a three-year period; engaged primarily as a manufacturer or in providing significant corporate administrative functions at the site; employs at least 1,000 full-time employees at the site; and provides an average wage of all employees at the site in excess of 400 percent of the federal minimum wage.

	Projected Revenue Gain from Repeal of Tax Expenditure
FY 2008	$0.0
FY 2009	$1.5 million

Data Source Code: (A),(B)

The value of this tax expenditure in fiscal year 2008 is estimated at $0.0. In fiscal year 2009, the value is estimated at $2.4 million.

* For fiscal year 2008, this credit is available to corporate franchise taxpayers. Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.