State of Ohio

Executive Budget

Fiscal Years 2010 and 2011

Book Two
Tax Expenditure Report

Prepared by the Department of Taxation
and Submitted to the 128th General Assembly
By Governor Ted Strickland
February 2009

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 122 tax expenditures allowed in current law. It estimates the state revenue that would be produced in fiscal years 2010 and 2011 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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Introduction

State of Ohio Tax Expenditure Report

Sections 107.03(F) and 5703.48 of the Ohio Revised Code, enacted in 1987, require the tax commissioner to produce a tax expenditure report that is to be submitted as a supplement to the Governor's biennial budget. The report is to provide the impact of tax expenditures on the state General Revenue Fund during the current biennium and the next biennium.

Both tax expenditures and direct budgetary expenditures incur a cost to the state in order to accomplish public policy goals. Unless there is a pre-existing termination date, the expenditures may remain in effect indefinitely with little or no scrutiny by policy makers. In most states, tax expenditures are not analyzed and reviewed as part of the budget appropriation process; Ohio is one of the relatively few states that do produce a tax expenditure report in conjunction with the state budget.[1] It is probably safe to assume that if it were not for this report, the fiscal impact of the various Ohio tax expenditure provisions would not be systematically estimated and published.

A primary 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 those expenditures. The responsibility of evaluating the expenditure's merit with regard to public policy belongs jointly to the General Assembly and the Governor.

In this edition of the Ohio tax expenditure report, we provide the estimated revenue foregone by the state General Revenue Fund for the fiscal year 2008-2009 biennial budget period and the fiscal year 2010-2011 biennial budget period. The report includes 122 different tax expenditures.[2] In addition, the report reflects the legal citation, year of enactment, and a brief description of the tax expenditure. For the first time, the report includes distributional detail on selected tax expenditures (Appendix One) and categorizes the tax expenditures according to four basic policy functions (Appendix Two).

The Tax Expenditure Concept

Tax expenditures represent tax dollars that are foregone through deductions, exemptions, credits, and other provisions in tax laws. (This statement is a somewhat abbreviated version of the tax expenditure definition found in Ohio Revised Code Section 5703.48.) Tax expenditures result in a loss of tax revenue to state government, thereby reducing the funds available for other government programs. In essence, a tax expenditure has the same fiscal impact as a direct government expenditure.

Since the tax expenditure concept was first articulated in 1967 by Stanley S. Surrey (assistant secretary of the U.S. Treasury for tax policy), the executive and legislative branches of the U.S. government, most state governments and many foreign governments have issued their own versions of tax expenditure reports. In its broadest outline, the tax expenditure concept is fairly uniform and constant: a tax expenditure represents a legislated variation from – more specifically, a reduction to - a standardized tax base. Beyond that, however, varying conceptual ideas about tax expenditures lead to differing approaches for defining or identifying those expenditures. In a sense, tax expenditures are an evolving construct, changing as members of the tax policy community absorb, synthesize, and contribute new thinking on the subject.

One source of inconsistent treatment involves how one defines the standardized ("baseline") tax structure, the variations from which are identified as tax expenditures. Recent developments at the federal government level illustrate the fluid nature of tax expenditure analysis. In May, 2008, the U.S. Joint Committee on Taxation (JCT) revised its definition of tax expenditures.[3] This revision was at least partially motivated by a long-standing criticism that the incumbent definition of tax expenditures was based on a "normalized" conception of an income tax, even

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[1] John L. Mikesell, "Tax Expenditure Budgets, Budget Policy, and Tax Policy: Confusion in the States," *Public Budgeting and Finance*, (Winter 2002): 43.
[2] Some of the 122 tax expenditures have an annual revenue impact below $1 million; revenue estimates are not provided for those items.
[3] Joint Committee on Taxation, *A Reconsideration of Tax Expenditure Analysis* (JCX-37-08), May 12, 2008. Accessed at: www.house.gov/jct.

though there was no explicit evidence to suggest the U.S. income tax was inherently structured as (or was intended to be structured as) a pure income tax. According to critics, certain long-standing features of the U.S. income tax were more consistent with a consumption tax than an income tax, so it was not appropriate to use a baseline wedded to a normalized income tax. In the May, 2008 revision, JCT shed the "normalized" income tax baseline for a more nuanced definition that is somewhat more restricted in scope. The new approach will presumably engender greater credibility and usefulness across the tax policy community.

Of those state agencies (typically revenue or taxation departments) that produce tax expenditure reports, we are unaware of any them encountering any notable resistance to how they define tax expenditures. Nonetheless, some of the same inherent conceptual difficulties surrounding tax expenditures exist at the state level as exist at the federal level. In short, each state must determine how it will define the baseline tax structure (for the various taxes appearing in the report), from which the definition of "tax expenditure" can then flow. Doing so is not a simple proposition.

Tax Expenditures as Defined in this Report

Ohio uses what may be considered a mostly "reference law" concept for defining tax expenditures. However, it is also laden with elements driven by the "ideal base" concept.[4] The primary determinant as to whether a tax provision may be considered a tax expenditure is whether it exists as an exemption, credit, deduction, etc. in the Ohio Revised Code. This conforms with the reference law concept. Of this initial list of *potential* tax expenditures, certain provisions – those considered to be inherent to the tax base – are then excluded; this step reflects elements of the ideal base concept. A primary example of an item excluded from the report is the sales tax "resale" exemption (see discussion in the Sale and Use Tax section of the report). Another example is the omittance of the commercial activity tax exclusion for non-profit entities.

Listed below are the basic criteria used in this report to determine whether a tax provision constitutes an Ohio tax expenditure. All four of these characteristics must exist in order for the item to be considered a tax expenditure.

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 state General Revenue Fund (GRF). There are some 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, natural gas consumption tax, and severance taxes.

The commercial activity tax (CAT) is included in this report. While the CAT does not currently directly contribute revenue to the GRF, the GRF is responsible for covering shortfalls to other funds should CAT revenues be insufficient (conversely, the GRF receives any surplus in those funds at the end of each fiscal year). 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.

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

Items that are subject to alternative taxes are not considered tax expenditures. For instance, insurance companies are excluded from the commercial activity tax by the Ohio Revised Code but this exclusion is not considered a tax expenditure because such companies are taxed under the domestic or foreign insurance premiums tax.

[4] Mikesell, *supra* at 46.

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.

Interpretation of Tax Expenditures

Although we have discussed definitional issues related to tax expenditures, we should also discuss how one might interpret the information conveyed about a tax expenditure. Tax policy experts have identified several different ways to consider tax expenditures.[5] On one hand, because tax expenditures provide an explicit accounting of deviations from a conceived tax structure baseline, users of a tax expenditure report are able to identify the nature of those deviations and their relative fiscal magnitude. The report may serve as a foundation for further analysis as to whether, and to what degree, the expenditures violate the principles of good tax policy (fairness, simplicity, efficiency).[6] To one degree or another, many tax expenditures reduce economic efficiency, heighten tax code complexity, and treat people with the same ability to pay in a disparate (inequitable) manner. This may be considered the “tax reform” perspective of tax expenditures.

In contrast, tax expenditures might be viewed as an appropriate mechanism for “spending” government resources. Under this interpretation, the tax system may serve as an invaluable and appropriate instrument for reallocating resources or otherwise addressing market inefficiencies. Thus, the tax expenditure report identifies the specific circumstances under which policy makers have chosen to allocate state resources, so as to fully or partially address a perceived societal need. According to this orientation, then, the question is whether the “spending” is efficient and appropriate: the concern is not so much directed toward whether the tax expenditure may violate certain tax policy principles.

Projected Revenue Foregone From Tax Expenditures

The 2010-2011 biennium tax expenditure report identifies the estimated revenue that is foregone, or “spent,” by the state General Revenue Fund as a result of the existence of the tax expenditure. Contrary to previous editions of the tax expenditure report, this edition does not reflect the potential revenue gain if the indicated tax expenditure was repealed. There are important differences between reporting on a “revenue foregone” basis and on a “revenue gain from repeal” basis. “Revenue foregone” estimates simply reflect the aggregate value of financial benefit provided to those persons using the tax expenditure, with an associated reduction in state GRF tax revenues. With one exception, there are no further adjustments to the estimates. The one adjustment reflected in some of the estimates occurs when another tax expenditure is also available to the taxpayer for the same item or activity: the estimates were reduced by the estimated amount of tax associated with this “overlap.”

In contrast, estimates produced under the “revenue gain from repeal” concept reflect an extensive array of downward adjustments. For one thing, the revenue gain estimates reflect the cash flow lag consequences associated with a particular assumed tax expenditure repeal effective date. Another adjustment involves potential taxpayer behavioral responses to the repealed tax expenditure. There may be an economic response to the increased tax resulting from expenditure repeal. A certain level of short-term taxpayer non-compliance may occur in response to repeal of the expenditure. Finally, possible "overlapping" tax expenditures would be factored into the estimates.

[5] See, for example, Eric J. Toder, *Tax Expenditures and Tax Reform: Issues and Analysis*, Presented at National Tax Association Annual Conference, Miami, Florida, November 19, 2005.

[6] Although tax expenditures usually move a tax structure farther away from positive tax policy, we recognize that some of the expenditures in this report may be highly, if not entirely, consistent with positive tax policy. The sales tax exemption for property incorporated into manufactured goods is a notable example of an expenditure with tax policy merit, because it mitigates the economic distortions that would otherwise occur through tax “pyramiding.”

To reiterate, **the figures in this report do not represent the potential revenue gain from repeal of the tax expenditure**. Instead, the figures reflect our best estimates of the tax benefits realized by recipients of the tax expenditures – what we refer to as the "revenue foregone."[7]

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.

[7] As noted above, the one adjustment reflected in the estimates in this report occurs when there is an "overlapping" tax expenditure. Had such an adjustment not been made, the estimate would have overstated the amount of revenue consequence associated with that specific expenditure. As a result, for those expenditures in which overlap occurs, we concede the report does not count (leaves out) the tax associated with the overlap. Only a relatively few expenditures (all of them sales tax expenditures) were adjusted for overlap so it is not a common feature in this report.

FY 2008 – 2011
Tax Expenditure
Summary of Revenue Foregone
(in millions)

Note: “Minimal” indicates that the amount of foregone revenue is under $1 million

Sales & Use Tax		General Revenue Fund Revenue Foregone			
		FY 2008	FY 2009	FY 2010	FY 2011
Exempt entities					
1.01	Sales to churches and certain other non-profits organizations	$303.6	$317.6	$332.1	$347.5
1.02	Sales to the state, any of its political subdivisions, and to certain other states	122.0	122.0	125.6	129.3
1.03	Sales by churches and certain types of non-profit organizations	16.2	17.0	17.9	18.8
Exemption for property and services used or consumed to produce a product					
1.04	Tangible personal property used primarily in manufacturing tangible personal property, including property incorporated into the manufactured product	1,724.3	1,724.3	1,724.3	1,724.3
1.05	Packaging and packaging equipment	230.4	230.4	230.4	230.4
1.06	Sales of tangible personal property and services to electricity providers	287.8	301.7	316.4	331.8
1.07	Tangible personal property used or consumed in agriculture and mining	142.7	145.6	149.1	153.0
1.08	Tangible personal property used to produce printed materials	31.2	31.6	32.0	32.5
1.09	Tangible personal property used in storing, preparing and serving food	13.1	13.7	14.4	15.2
1.10	Tangible personal property used in preparing eggs for sale	1.9	1.9	1.9	1.9
Exemption based on specified use of property or service					
1.11	Building and construction materials and services used in certain structures	365.6	387.6	410.8	435.5
1.12	Tangible personal property used directly in providing public utility services	115.7	116.3	117.0	117.6
1.13	Property used to fulfill a warranty or service contract	49.3	49.3	49.3	49.3
1.14	Motor vehicles sold in Ohio for use outside the state	36.8	33.1	33.8	35.4
1.15	Tangible personal property used in research and development	31.3	31.7	32.1	32.6
1.16	Sales of tangible personal property and services sold to providers of telecommunications services	88.6	88.6	88.6	88.6
1.17	Qualified tangible personal property used in making retail sales	32.7	33.6	34.4	35.3
1.18	Property used in transportation for hire	50.4	51.2	52.0	52.8
1.19	Qualified call center exemption	21.4	21.4	21.4	21.4
1.20	Copyrighted motion pictures and films	7.6	8.0	8.4	8.8
1.21	Equipment used in private warehouses and distribution centers with inventory primarily shipped out of state	4.2	4.2	4.2	4.2
1.22	Drugs distributed to physicians as free samples	5.8	6.1	6.4	6.7
1.23	Property used in air, noise, or water pollution control	2.3	2.3	2.3	2.3
1.24	Emergency and fire protection vehicles and equipment	1.0	1.1	1.2	1.2
1.25	Tangible personal property used in electronic publishing	1.9	4.7	5.2	5.6
Exempt products and services					
1.26	Prescription drugs and selected medical items	489.5	550.6	619.5	696.9
1.27	Transportation of persons and property	177.4	177.4	177.4	177.4
1.28	Newspapers	20.2	20.4	20.6	20.8

FY 2008 – 2011
Tax Expenditure
Summary of Revenue Foregone
(in millions)

Sales & Use Tax—continued		General Revenue Fund Revenue Foregone			
		FY 2008	FY 2009	FY 2010	FY 2011
1.29	Magazine subscriptions	13.3	13.3	13.3	13.3
1.30	Artificial limbs, prostheses, wheelchairs and other durable medical equipment	12.0	12.2	12.5	12.7
1.31	Sales of used manufactured and mobile homes	2.1	2.1	2.1	2.1
1.32	$800 tax cap on qualified fractionally-owned aircraft	1.0	1.1	1.1	1.1
1.33	Sales of materials and services for maintenance and repair of aircraft	4.5	4.5	4.5	4.5
1.34	Flight simulators	2.3	2.3	2.3	2.3
Miscellaneous					
1.35	Value of motor vehicle trade-ins	113.4	113.5	115.5	120.2
1.36	Discount for vendors	48.6	48.5	49.5	50.9
1.37	Food sold to students on school premises	19.7	20.9	22.2	23.5
1.38	Value of watercraft trade-ins	3.5	3.4	3.3	3.2
Tax expenditures with revenue impact below $1 million					
1.39	Sales to non-commercial, educational broadcast stations	minimal	minimal	minimal	minimal
1.40	Sales to veterans' headquarters	minimal	minimal	minimal	minimal
1.41	Sales to facilities financed with public hospital bonds	minimal	minimal	minimal	minimal
1.42	Sales of animals by non-profit animal shelters	minimal	minimal	minimal	minimal
1.43	Agricultural property (use on use)	minimal	minimal	minimal	minimal
1.44	Agricultural land tile and portable grain bins	minimal	minimal	minimal	minimal
1.45	Tangible personal property used or consumed in commercial fishing	minimal	minimal	minimal	minimal
1.46	Ships and rail rolling stock used in interstate or foreign commerce	minimal	minimal	minimal	minimal
1.47	Sales of property for use in non-profit presentations of music, dramatics, the arts, and related fields	minimal	minimal	minimal	minimal
1.48	Property for use in a retail business outside Ohio	minimal	minimal	minimal	minimal
1.49	Property used in energy or waste conversion facilities	minimal	minimal	minimal	minimal
1.50	Sales of computers and computer equipment to certified teachers	minimal	minimal	minimal	minimal
1.51	Sales of qualified tangible personal property to qualified motor racing teams	minimal	minimal	minimal	minimal
1.52	Sales of tangible personal property and services for maintenance and repair of qualified fractionally-owned aircraft	minimal	minimal	minimal	minimal
1.53	Bulk water for residential use	minimal	minimal	minimal	minimal
1.54	Refundable deposits on beverage containers	minimal	minimal	minimal	minimal
Total Sales & Use Tax		**$4,595.3**	**$4,715.2**	**$4,855.0**	**$5,010.9**

FY 2008 – 2011
Tax Expenditure
Summary of Revenue Foregone
(in millions)

Individual Income Tax		General Revenue Fund Revenue Foregone			
		FY 2008	FY 2009	FY 2010	FY 2011
Exemptions, exclusions and deductions					
2.01	Personal, spousal, and dependent deduction	$514.3	$506.7	$500.9	$519.8
2.02	Social security and railroad retirement benefits	251.4	290.7	319.8	362.0
2.03	Deduction for taxpayers ineligible for employer sponsored medical plans	11.2	12.1	12.5	13.5
2.04	Exemption for disability income	33.4	33.7	35.7	36.7
2.05	Exemption for active-duty military income	19.4	20.3	20.5	21.2
2.06	Deduction for excess medical expenses	64.2	71.2	75.0	82.5
2.07	Pre-1972 trusts	11.1	12.1	12.5	12.9
2.08	Deduction for long-term care insurance premiums	7.2	7.6	7.7	8.1
2.09	Deduction for contributions to college savings programs	10.2	10.0	10.7	11.3
2.10	Deduction for contributions to medical savings accounts	0.9	0.9	1.0	1.0
2.11	Deduction for military retirement income	0.0	22.1	22.4	23.7
Non-business tax credits					
2.12	Joint filer credit	239.4	229.4	221.9	225.2
2.13	$20 personal exemption credit	152.5	152.2	152.2	152.5
2.14	Retirement income credit	119.4	121.9	130.7	135.1
2.15	Resident credit for income taxed by another state	117.9	129.6	135.4	141.1
2.16	$50 senior citizen credit	26.8	28.7	29.1	29.6
2.17	Credit for income below $10,000	13.4	13.1	12.2	11.9
2.18	Dependent care credit	7.7	8.1	8.2	8.2
2.19	Campaign contribution credit	5.0	5.5	5.9	6.2
2.20	Lump sum retirement income credit	1.5	1.6	1.7	1.8
2.21	Displaced worker job training credit	1.7	1.9	2.0	2.1
2.22	Credit for adoption related expenses	2.4	2.4	2.3	2.3
Business Tax Credits					
2.23	Historic structure rehabilitation credit	0.0	7.1	18.5	26.1
2.24	Technology investment tax credit	3.3	4.8	5.8	6.8
Tax expenditures with revenue impact below $1 million					
2.25	Lump sum distribution credit	minimal	minimal	minimal	minimal
2.26	Deduction for organ donation expenses	minimal	minimal	minimal	minimal
2.27	Enterprise zone day care/training credit	minimal	minimal	minimal	minimal
2.28	Enterprise zone employee credit	minimal	minimal	minimal	minimal
2.29	Grape production credit	minimal	minimal	minimal	minimal
2.30	Ethanol plant investment credit	minimal	minimal	minimal	minimal
Total Individual Income Tax		**$1,614.3**	**$1,693.7**	**$1,744.6**	**$1,841.6**
Corporate Franchise Tax					
3.01	Goodwill, appreciation, and abandoned property of financial institutions	$211.8	$169.4	$177.9	$186.8
3.02	Credit for financial institution investment in a dealer in intangibles	2.9	2.9	2.9	2.9
3.03	State chartered savings and loan credit	1.8	1.8	1.8	1.8
Total Corporate Franchise Tax		**$216.5**	**$174.1**	**$182.6**	**$191.5**

FY 2008 – 2011
Tax Expenditure
Summary of Revenue Foregone
(in millions)

Commercial Activity Tax		General Revenue Fund Revenue Foregone			
		FY 2008	FY 2009	FY 2010	FY 2011
Exclusions and deductions					
4.01	Exclusion of first $1 million of taxable gross receipts	$133.7	$178.3	$222.8	$222.8
4.02	State and federal fuel excise tax exclusion	20.5	27.4	34.2	34.2
4.03	Qualifying distribution center receipts exclusion	25.5	34.0	42.4	42.4
4.04	State and federal cigarette excise tax exclusion	3.7	4.8	5.9	5.7
4.05	Exclusion of real estate brokerage gross receipts that are not retained	0.7	0.9	1.2	1.2
4.06	State and federal alcoholic beverage tax exclusion	1.2	1.5	1.9	1.9
4.07	Professional employer organization exclusion	1.3	1.9	2.4	2.4
4.08	Motor vehicle transfer exclusion	1.0	1.3	1.7	1.7
4.09	Exclusion of certain services to financial institutions	0.6	0.8	1.0	1.0
Tax Credits					
4.10	Credit for increased qualified research and development expenses	5.0	20.6	22.2	22.5
4.11	Job creation credit	87.7	92.0	96.7	101.5
4.12	Research and development loan program credit	3.0	4.0	5.0	6.0
4.13	Job retention tax credit	2.9	9.3	9.3	9.3
4.14	Credit for net operating loss carryforwards and other deferred tax assets	0.0	0.0	10.0	29.0
Tax expenditures with revenue impact below $1 million					
4.15	Exemption for pre-1972 trusts	minimal	minimal	minimal	minimal
4.16	Anti-neoplastic drug exclusion	minimal	minimal	minimal	minimal
4.17	Horse racing taxes and purse exclusion	minimal	minimal	minimal	minimal
Total Commercial Activity Tax		**$286.8**	**$376.8**	**$456.7**	**$481.6**
Public Utility Excise Tax					
5.01	Exemption for municipal utilities and non-profit waterworks	$63.3	$63.3	$63.3	$63.3
5.02	Credit for certain natural gas companies	8.1	8.1	8.1	8.1
5.03	$25,000 exemption from gross receipts for each public utility company	minimal	minimal	minimal	minimal
5.04	Sales to other public utilities for resale	minimal	minimal	minimal	minimal
Total Public Utility Excise Tax		**$71.4**	**$71.4**	**$71.4**	**$71.4**
Kilowatt Hour Tax					
6.01	Exemption for qualified end-users	$2.9	$3.2	$4.6	$4.6
Total Kilowatt Hour Tax		**$2.9**	**$2.8**	**$4.6**	**$4.6**

FY 2008 – 2011
Tax Expenditure
Summary of Revenue Foregone
(in millions)

		General Revenue Fund Revenue Foregone			
Insurance Premiums Tax		FY 2008	FY 2009	FY 2010	FY 2011
7.01	Deduction for premiums received from qualified small business alliances	$8.6	$9.0	$9.3	$9.5
7.02	Credit for small insurers	2.8	2.8	2.7	2.6
7.03	Ohio Life and Health Guaranty Association contribution credit	0.8	0.8	1.7	1.7
Total Insurance Premium Tax		**$12.2**	**$12.6**	**$13.7**	**$13.8**
Cigarettes and Other Tobacco Products Tax					
8.01	Discount for cigarette tax stamps	$15.9	$15.4	$15.0	$14.7
8.02	Discount for timely payment of other tobacco products' excise tax	minimal	minimal	minimal	minimal
Total Cigarettes and Other Tobacco Products Tax		**$15.9**	**$15.4**	**$15.0**	**$14.7**
Alcoholic Beverages Tax					
9.01	Advanced payment credit/discount	$1.4	$1.4	$1.5	$1.5
9.02	Sacramental wine exemption	minimal	minimal	minimal	minimal
9.03	Small brewer's credit	minimal	minimal	minimal	minimal
9.04	Small wine producer's exemption	minimal	minimal	minimal	minimal
Total Alcoholic Beverage Tax		**$1.4**	**$1.4**	**$1.5**	**$1.5**
Estate Tax					
Deductions					
10.01	Marital deduction	$42.3	$42.3	$42.3	$42.3
10.02	Funeral and administration expenses and debts against estate	8.7	8.7	8.7	8.7
10.03	Deduction for qualified charitable contributions	12.1	12.1	12.1	12.1
Tax Credit					
10.04	Credit for each estate	36.0	36.0	36.0	36.0
Total Estate Tax		**$99.1**	**$99.1**	**$99.1**	**$99.1**
GRAND TOTAL		**$6,915.8**	**$7,162.5**	**$7,444.2**	**$7,730.7**

Sales and Use Tax

The sales and use tax was enacted in 1934 at a rate of 3.0 percent and went into effect on January 27, 1935. In 1967 the rate was increased to 4.0 percent. After a temporary 5.0 percent sales tax rate was imposed during the period of January through June 1981, a permanent 5.0 percent rate was adopted in November 1981. Until 1981 the sales and use tax was restricted to the 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.

In 2003, legislation was enacted to impose a temporary increase in the state sales tax rate, from 5.0 percent to 6.0 percent. This increase was in effect for the July 1, 2003 through June 30, 2005 period. Rather than allowing the rate to revert back to 5.0 percent once the temporary increase expired, Am. Sub. House Bill 66 (the FY 2006-2007 budget) set the rate at 5.5 percent on a permanent basis, effective July 1, 2005.

Tax Base

Expressed in abbreviated form, the sale and rental of tangible personal property and selected services in Ohio (or of property and selected services purchased out-of-state but used in Ohio) constitute the Ohio sales and use tax base. In reality, the tax base reflects a complex amalgam of statutory and constitutional provisions, as well as administrative and case law interpretations thereof.

During the more than 70 years since the creation of the Ohio sales and use tax, various exceptions, exemptions and credits against that tax have been enacted. Many of them have been in place since the inception of the tax in 1935. This report omits some of these exceptions, exemptions and credits because they are considered to be inherent features of Ohio's sales and use tax structure. We have left out certain sales and use tax exceptions designed to conform the sales and use tax more closely to the concept of a tax on final consumption. One feature that helps limit the sales and use tax to final consumption - thereby mitigating the economic distortions otherwise created by "pyramiding" (a phenomenon that occurs when the same activity or final product is taxed more than once as it moves through the economic production chain) - is the resale exception. Ohio law provides a sales tax exception for purchased items that are subsequently resold by the purchaser in the same form (typically to a final consumer). This exception is so elemental to a sales and use tax that it should not be considered a tax preference and therefore does not appear in this report.

Another item left out of the report (albeit for the first time) is the exemption for "casual sales." For purposes of this report, it was assumed that the Ohio sales tax was designed not to tax the kinds of transactions subject to the casual sales exemption. Transactions covered by the casual sales exemption are those involving the sale of an item by a person that had originally acquired the item for his or her own use, as long as the item had already been subject to a state sales or use tax. (Note, however, that sales of motor vehicles and other specified types of vehicles are not subject to the casual sales exemption.)

Other exceptions considered inherent to the Ohio sales and use tax – and therefore not appearing as tax expenditures in this report – are those sanctioned by the Ohio Constitution. One such exception pertains to food sold for human consumption. The Ohio Constitution precludes the imposition of a sales tax on food (including prepared food) consumed off the premises where sold. Another such exception is for sales of motor fuel. Sales of fuel used by motor vehicles operated on public highways are not subject to sales tax because the Ohio Constitution requires any revenue generated from an excise tax on this product to be used for highway-related purposes and not be deposited in the General Revenue Fund.[8]

Just as food and fuel represent significant segments of the Ohio economy that are excluded from the sales and use tax, so too another sector is mostly excluded from the tax: the service sector. The sales and use tax is primarily structured as a tax on sales of tangible personal property, with only sales of certain services specifically enumerated in Ohio law being subject to the tax. Because the tax in its current form is predominantly a tax on tangible personal

[8] The State of Ohio does impose a motor vehicle fuel excise tax of 28 cents per gallon whose revenue is earmarked for highway-related purposes (construction, repair and maintenance of roads, bridges, etc.).

property, this report does not consider untaxed services to be subject to a specific tax preference and therefore the absence of the tax on services does not constitute a tax expenditure.

Tax Rate

The tax is imposed by the State of Ohio at a 5.5 percent rate. In addition, a local permissive sales tax may be imposed by any county or transit authority at a rate between 0.25 percent and 1.5 percent, with a maximum allowable combined permissive sales tax rate of 3.0 percent (the highest total permissive sales tax rate currently in effect is 2.25 percent, in Cuyahoga County); local permissive sales taxes are *not* reflected in the figures provided in this report.

Significant Changes Enacted by the 127th General Assembly

There were a few sales tax law changes enacted during the last two years, including several new tax exemptions included in this report.

A sales tax exemption was enacted for tangible personal property and services used to repair, maintain, remodel and replace aircraft and avionics systems. The exemption was enacted in 2008 by Am. Sub. HB 562, although legislation adopted later in 2008 (Am. Sub. HB 420) removed the restriction that the tax-exempt repair and maintenance services be performed at a Federal Aviation Administration-certified repair facility.

An additional aviation-related sales tax exemption was enacted in 2008. Am. Sub. HB 562 provided a sales tax exemption for full flight simulators used in pilot or flight-crew training, as well as property and services used in repairing and maintaining such systems.

Sub. HB 157 replaced the 25 percent credit for property used in providing an electronic information service with a sales tax exemption for property used in providing "electronic publishing." The exemption is for property used in providing access to electronic data or information primarily to business customers so such customers can conduct research; examples of information and data provided via "electronic publishing" are news, business and financial materials, legal notices, photos and images, and trade materials.

Finally, Am. Sub. HB 119 (adopted in 2007) reduced the scope of the existing sales tax exemption for sales of motor vehicles to nonresidents of Ohio. The exemption is now allowed only for sales to those persons that title or register the motor vehicle in Canada or in a state that provides a sales tax exemption on sales to Ohioans. As a result, sales of motor vehicles sold in Ohio but destined for registration or titling in a foreign nation (except Canada) or in eight states (including Indiana and Michigan) are now subject to Ohio sales tax. The impact of this law change is reflected in the tax expenditure estimate provided below.

Sales and Use Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure.[9] We have also attempted to reflect the impact of a possible "overlapping" provision (i.e., another credit, exclusion or exemption available to the taxpayer) that effectively reduces the revenue consequences associated with the tax expenditure.

These tax expenditure estimates rely mostly on secondary data sources rather than internal, Department of Taxation-originated data sources (such as tax returns). Economic Census data - generated by the U.S. Department of

[9] In contrast, recent editions of the State of Ohio Tax Expenditure Report provided the estimated revenue *gain* if the indicated tax expenditure was repealed. Those estimates reflected possible behavioral impacts associated with the repeal of the tax expenditure (such as reduced consumption in response to the item becoming taxable). Except in several circumstances, behavioral influences are not reflected in the estimates contained in this edition of the report. Recent editions also reflected the cash flow lag between effective date and revenue realization; this lag would diminish the first-year revenue gain, under the assumption the expenditure would be repealed at the beginning (July 1) of the upcoming biennial budget. Such cash flow lag adjustments are not built into the estimates contained in this edition of the report. Finally, recent editions reflected the "all funds" – the combined state General Revenue Fund and local government funds – impact of the tax expenditure. This report limits the tax expenditure estimates to only the state General Revenue Fund.

Commerce, Bureau of the Census - is the most extensively used source of data for the estimates. However, various other types of data and information are used in the estimates, including those generated by other (non-Census Bureau) federal agencies, by industry trade groups, and by academic, public, and not-for-profit research organizations.

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

A. Exempt Entities

1.01 Sales to churches and certain other non-profit organizations
Ohio Revised Code 5739.02(B)(12); originally enacted 1935

Sales to churches, non-profit organizations organized under Internal Revenue Code section 501(c)(3), and certain other non-profit organizations are exempt from the sales and use tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 303.6	$ 317.6	$ 332.1	$ 347.5

Data Source Code: (B),(C)

1.02 Sales to the state, any of its political subdivisions, and to certain other states[10]
Ohio Revised Code 5739.02(B)(1); originally enacted 1935, revised 1994

Sales of supplies, equipment, or any other normally taxable item to the State of Ohio and any of its political subdivisions are exempt from the sales and use tax. Also exempt from Ohio sales and use tax are sales to any other state (and its subdivisions) as long as such state provides an exemption for sales made to the State of Ohio (and its subdivisions).

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 122.0	$ 122.0	$ 125.6	$ 129.3

Data Source Code: (B)

1.03 Sales by churches and certain types of non-profit organizations
Ohio Revised Code 5739.02(B)(9); originally enacted 1961

Sales by churches, non-profit organizations organized under Internal Revenue Code section 501(c)(3), and 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 16.2	$ 17.0	$ 17.9	$ 18.8

Data Source Code: (B)

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

1.04 Tangible personal property used primarily in manufacturing tangible personal property, including property incorporated into the manufactured product
Ohio Revised Code 5739.02(B)(42); originally enacted 1935, revised 1990

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$1,724.3	$1,724.3	$1,724.3	$1,724.3

Data Source Code: (B)

[10] The estimate excludes estimated purchases by the State of Ohio. This is because the tax exemption creates no appreciable fiscal cost to the state. Stated another way, if the exemption were repealed, the State of Ohio would experience an increase in expenditures commensurate with the revenue gain.

1.05 Packaging and packaging equipment
Ohio Revised Code 5739.02(B)(15); originally enacted 1961

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 230.4	$ 230.4	$ 230.4	$ 230.4

Data Source Code: (B)

1.06 Sales of tangible personal property and services to electricity providers
Ohio Revised Code 5739.02(B)(40); originally enacted 2000

Tangible personal property and services used or consumed by a provider of electricity in generating, transmitting, or distributing electricity for use by others is exempt from the sales and use tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 287.8	$ 301.7	$ 316.4	$ 331.8

Data Source Code: (A),(B)

1.07 Tangible personal property used or consumed in agriculture and mining
Ohio Revised Code 5739.01(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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 142.7	$ 145.6	$ 149.1	$ 153.0

Data Source Code: (B),(C)

1.08 Tangible personal property used to produce printed materials[11]
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 are exempt from sales and use tax. The exemption also applies to property used to produce magazines distributed as controlled circulation publications.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 31.2	$ 31.6	$ 32.0	$ 32.5

Data Source Code: (B),(C)

[11] This estimate was reduced by an assumed 75 percent under the expectation that most of this property is also subject to the sales tax exemption for property used primarily in manufacturing.

1.09 Tangible personal property used in storing, preparing and serving food[12]
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 is exempt from the sales and use tax. Also exempt from the tax are items used to clean or maintain the property described above.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 13.1	$ 13.7	$ 14.4	$ 15.2

Data Source Code: (B)

1.10 Tangible personal property used in preparing eggs for sale
Ohio Revised Code 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.9	$ 1.9	$ 1.9	$ 1.9

Data Source Code: (B)

C. Exemptions based on specified use of property or service

1.11 Building and construction materials and services used in certain structures[13]
Ohio Revised Code 5739.02(B)(13); originally enacted 1959, revised 1994

A sales and use tax exemption is provided for building and construction materials and services sold to construction contractors for incorporation into certain types of structures. The exemption applies to structures built under a construction contract with the following entities: federal government; State of Ohio and its political subdivisions; religious institutions and other organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; businesses engaged in horticultural and livestock purposes; and certain other types of entities specified in state law.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 365.6	$ 387.6	$ 410.8	$ 435.5

Data Source Code: (B)

[12] A considerable portion of the property subject to this exemption is also subject to the sales and use tax exemption for property used primarily in manufacturing tangible personal property. The estimated revenue impact has been substantially reduced as a result of property subject to both exemptions.

[13] The estimate excludes estimated purchases attributable to building contracts with the State of Ohio. This reflects the assumption that currently-foregone revenue from the exemption is offset by decreased project costs for state projects. Because the tax exemption creates no appreciable fiscal cost to the state on its projects, those projects have been excluded from the estimate.

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

Property (including fuel) used in 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 115.7	$ 116.3	$ 117.0	$ 117.6

Data Source Code: (A),(B)

1.13 Property used to fulfill a warranty or service contract
Ohio Revised Code 5739.02(B)(42); originally enacted 1986

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 49.3	$ 49.3	$ 49.3	$ 49.3

Data Source Code: (A)

1.14 Motor vehicles sold in Ohio for use outside the state
Ohio Revised Code 5739.02(B)(23); originally enacted 1971, revised 2007

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 36.8	$ 33.1	$ 33.8	$ 35.4

Data Source Code: (A),(B)

1.15 Tangible personal property used in research and development
Ohio Revised Code 5739.02(B)(42); originally enacted 1993

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 31.3	$ 31.7	$ 32.1	$ 32.6

Data Source Code: (C)

1.16 Sales of tangible personal property and services sold to providers of telecommunications services
Ohio Revised Code 5739.02(B)(34); originally enacted 1987

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 88.6	$ 88.6	$ 88.6	$ 88.6

Data Source Code: (A)

1.17 Qualified tangible personal property used in making retail sales
Ohio Revised Code 5739.02(B)(35); originally enacted 1935

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 32.7	$ 33.6	$ 34.4	$ 35.3

Data Source Code: (B)

1.18 Property used in transportation for hire
Ohio Revised Code 5739.02(B)(32); originally enacted 1985

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 50.4	$ 51.2	$ 52.0	$ 52.8

Data Source Code: (B),(C)

1.19 Qualified call center exemption
Ohio Revised Code 5739.02(B)(45); originally enacted 2003

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 21.4	$ 21.4	$ 21.4	$ 21.4

Data Source Code: (B),(C)

1.20 Copyrighted motion pictures and films
Ohio Revised Code 5739.01(B)(8); 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 7.6	$ 8.0	$ 8.4	$ 8.8

Data Source Code: (B)

1.21 Equipment used in private warehouses and distribution centers with inventory primarily shipped out of state
Ohio Revised Code 5739.01(B)(42) and (B)(48); originally enacted 1994, revised 2008

A sales and use tax exemption is allowed for equipment used primarily in handling purchased sales inventory in a distribution facility when the inventory is primarily distributed outside this state to: (1) the retail stores of the person (or an affiliated entity) who owns or controls the distribution facility; or (2) customers if the facility is owned by a mail order business; or (3) independent salespersons operating as direct sellers if the facility is owned by a qualifying direct selling entity.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 4.2	$ 4.2	$ 4.2	$ 4.2

Data Source Code: (B)

1.22 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 human being in the course of professional practice, to be dispensed only by or upon the order of that physician, are exempt from the use tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 5.8	$ 6.1	$ 6.4	$ 6.7

Data Source Code: (A)

1.23 Property used in air, noise, or water pollution control
Ohio Revised Code 5709.25; originally enacted 1965

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.3	$ 2.3	$ 2.3	$ 2.3

Data Source Code: (A),(C)

1.24 Emergency and fire protection vehicles and equipment
Ohio Revised Code 5739.02(B)(20); originally enacted 1965

Purchases by not-for-profit organizations of emergency and fire protection vehicles and equipment, for use solely in providing fire protection and emergency services (including trauma care and emergency medical services) for political subdivisions, are exempt from the sales and use tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.0	$ 1.1	$ 1.2	$ 1.2

Data Source Code: (B),(C)

1.25 Tangible personal property used in electronic publishing
Ohio Revised Code 5739.02(B)(42); originally enacted 2007

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.9	$ 4.7	$ 5.2	$ 5.6

Data Source Code: (A)

D. Exempt products and services

1.26 Prescription drugs and selected medical items
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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 489.5	$ 550.6	$ 619.5	$ 696.9

Data Source Code: (B)

1.27 Transportation of persons and 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 177.4	$ 177.4	$ 177.4	$ 177.4

Data Source Code: (A),(B)

1.28 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 20.2	$ 20.4	$ 20.6	$ 20.8

Data Source Code: (B)

1.29 Magazine subscriptions
Ohio Revised Code 5739.02(B)(4); originally enacted 1935, revised 2002

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 13.3	$ 13.3	$ 13.3	$ 13.3

Data Source Code: (B)

1.30 Artificial limbs, prostheses, wheelchairs and other durable medical equipment
Ohio Revised Code 5739.02(B)(19); originally enacted 1973, revised 1978, 2001, 2003

Sales of prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment are exempt from the sales and use tax. To qualify for the exemption, the property must be purchased pursuant to a prescription.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 12.0	$ 12.2	$ 12.5	$ 12.7

Data Source Code: (B)

1.31 Sales of used manufactured and mobile homes
Ohio Revised Code 5739.02(B)(39),5741.02(C)(6); originally enacted 2000

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.1	$ 2.1	$ 2.1	$ 2.1

Data Source Code: (C)

1.32 $800 tax cap on 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.0	$ 1.1	$ 1.1	$ 1.1

Data Source Code: (A),(C)

1.33 Sales of materials and services for maintenance and repair of aircraft
Ohio Revised Code 5739.02(B)(49); originally enacted 2008

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 4.5	$ 4.5	$ 4.5	$ 4.5

Data Source Code: (A),(C)

1.34 Flight simulators
Ohio Revised Code 5739.02(B)(50); originally enacted 2008

The sales of full flight simulators that are used for pilot or flight-crew training are exempt from the sales and use tax. Also exempt are sales of repair or replacement parts or components of such flight simulators, as well as repair or maintenance services.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.3	$ 2.3	$ 2.3	$ 2.3

Data Source Code: (C)

E. Miscellaneous Provisions

1.35 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 113.4	$ 113.5	$ 115.5	$ 120.2

Data Source Code: (B),(C)

1.36 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 on use tax collected by out-of-state registered sellers, is granted if the tax due is remitted by the due date of tax return.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 48.6	$ 48.5	$ 49.5	$ 50.9

Data Source Code: (A)

1.37 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 public, private, or parochial school, college, or university are exempt from the sales and use tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 19.7	$ 20.9	$ 22.2	$ 23.5

Data Source Code: (B),(C)

1.38 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 3.5	$ 3.4	$ 3.3	$ 3.2

Data Source Code: (B)

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

1.39 Sales to non-commercial, educational broadcast stations
Ohio Revised Code 5739.02(B)(12); originally enacted 1981

1.40 Sales to veterans' headquarters
Ohio Revised Code 5739.02(B)(33); originally enacted 1986

1.41 Sales to facilities financed with public hospital bonds
Ohio Revised Code 140.08; originally enacted 1971

1.42 Sales of animals by non-profit animal shelters
Ohio Revised Code 5739.02(B)(28); originally enacted 1981

1.43 Agricultural property (use on use)
Ohio Revised Code 5739.02(B)(17); originally enacted 1961

1.44 Agricultural land tile and portable grain bins
Ohio Revised Code 5739.02(B)(30) and (31); originally enacted 1985

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

1.46 Ships and rail rolling stock used in interstate or foreign commerce
Ohio Revised Code 5739.02(B)(14); originally enacted 1938

1.47 Sales of property for use in non-profit presentations of music, dramatics, the arts, and related fields
Ohio Revised Code 5739.02(B)(12); originally enacted 1982

1.48 Property for use in a retail business outside Ohio
Ohio Revised Code 5739.02(B)(21); originally enacted 1968

1.49 Property used in energy or waste conversion facilities
Ohio Revised Code 5709.20, 5709.25; originally enacted 1978

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

1.51 Purchases of qualified tangible personal property to qualified motor racing team
Ohio Revised Code 5739.02(B)(40); originally enacted 1997

1.52 Sales of tangible personal property and services for maintenance and repair of qualified fractionally-owned aircraft
Ohio Revised Code 5739.02(B)(45); originally enacted 2003

1.53 Bulk water for residential use
Ohio Revised Code 5739.02(B)(25); originally enacted 1978

1.54 Refundable deposits on beverage containers
Ohio Revised Code 5739.01(H)(1); originally enacted 1979

Individual Income Tax

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.

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 127th General Assembly

The General Assembly made a few changes to individual income tax law over the last two years. It enacted two new tax expenditures – a deduction for organ donation expenses and exemption for military retirement income. It also made changes to existing tax credits for adoption expenses and historical building rehabilitation.

First, Am. Sub. House Bill 119, the general appropriations bill for FY 2008 and 2009, included a deduction for qualified organ donation expenses incurred by a taxpayer during the tax year. This deduction is available to a taxpayer on a one-time-only basis and is estimated to have a minimal cost.

The exemption for military retirement income, which was enacted by Substitute House Bill 372, exempts from Ohio income taxation that military retirement income that is included in federal adjusted gross income (FAGI). This exemption was first available in TY 2008.

Amended Senate Bill 20 of the 127th General Assembly increased the Ohio adoption credit from $500 per child to $1,500 per child for adoptions that became final during taxable years starting on or after January 1, 2007. S.B. 20 also provided that any tax credit that exceeded the taxpayer's liability could be carried forward for two calendar years.

Am. Sub. House Bill 554 made numerous changes to the historic building rehabilitation tax credit. The tax credit was originally enacted by Substitute House Bill 149 in 2007, and the authority to approve projects eligible for the credit was due to expire in 2009. Among other changes, it extended the tax credit for two additional years and eliminated the July 1, 2008, to June 30, 2009, application period. It limited the amount of new credits awarded to $5 million per owner per year, limited the total of all newly authorized credits to $60 million per year for two additional years, and limited the refundability of newly authorized credits to $3 million with some exceptions. The historic structure rehabilitation tax credit, which is applicable against the corporate franchise tax and the dealers in intangibles tax, as well as the personal income tax, was included with the corporate franchise tax in the previous tax expenditure report. It is included with the income tax items in this report due to the phase-out of the corporate franchise tax.

Individual Income Tax Expenditures

The estimates shown below reflect the estimated revenue foregone[14] by the state General Revenue Fund from each indicated tax expenditure. In addition, we have attempted to reflect the impact of possible "overlapping" provisions (i.e., other credits, exemptions or deductions 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 2005 and 2006. 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.

[14] In contrast, recent editions of the State of Ohio Tax Expenditure Report provided the estimated revenue *gain* if the indicated tax expenditure was repealed. Those estimates reflected possible behavioral impacts associated with the repeal of the tax expenditure (such as reduced consumption in response to the item becoming taxable). Except in several circumstances, behavioral influences are not reflected in the estimates contained in this edition of the report. Recent editions also reflected the cash flow lag between effective date and revenue realization; this lag would diminish the first-year revenue gain, under the assumption the expenditure would be repealed at the beginning (July 1) of the upcoming biennial budget. Such cash flow lag adjustments are not built into the estimates contained in this edition of the report. Finally, recent editions reflected the "all funds" – the combined state General Revenue Fund and local government funds – impact of the tax expenditure. This report limits the tax expenditure estimates to only the state General Revenue Fund.

A. Exemptions, exclusions, and deductions

2.01 Personal, spousal, and dependent deduction
Ohio Revised Code 5747.025; originally enacted 2002

A deduction may be claimed for the taxpayer, taxpayer's spouse, and each dependent. The amount of the deduction increases by no less than $50 each tax year. The amount of the deduction was $1,450 in tax year 2007 and $1,500 in tax year 2008. The deduction is expected to be $1,550 in tax year 2009 and $1,600 in tax year 2010.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 514.3	$ 506.7	$ 500.9	$ 519.8

Data Source Code: (A)

2.02 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 251.4	$ 290.7	$ 319.8	$ 362.0

Data Source Code: (A)

2.03 Deduction for taxpayers ineligible for employer-sponsored medical plans
Ohio Revised Code 5747.01(A)(11); originally enacted 1999

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 11.2	$ 12.1	$ 12.5	$ 13.5

Data Source Code: (A),(B)

2.04 Exemption for disability income
Ohio Revised Code 5747.01(A)(4); originally enacted 1975

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 33.4	$ 33.7	$ 35.7	$ 36.7

Data Source Code: (A)

2.05 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 19.4	$ 20.3	$ 20.5	$ 21.2

Data Source Code: (B)

2.06 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 64.2	$ 71.2	$ 75.0	$ 82.5

Data Source Code: (A),(B)

2.07 Pre-1972 trusts
Ohio Revised Code 5747.01(FF) and 5751.01(E)(11); originally enacted 2006

Qualifying trusts created before 1972 that have elected to be subject to the commercial activity tax are exempt from the individual income tax.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 11.1	$ 12.1	$ 12.5	$ 12.9

Data Source Code: (A)

2.08 Deduction for long-term care insurance premiums
Ohio Revised Code 5747.01(A)(11); originally enacted 1999

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 7.2	$ 7.6	$ 7.7	$ 8.1

Data Source Code: (C)

2.09 Deduction for contributions to 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 10.2	$ 10.0	$ 10.7	$ 11.3

Data Source Code: (A)

2.10 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.9	$ 0.9	$ 1.0	$ 1.0

Data Source Code: (A)

2.11 Deduction for military retirement income
Ohio Revised Code 5747.01(A)(26); originally enacted 2008

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.0	$ 22.1	$ 22.4	$ 23.7

Data Source Code: (A),(B)

B. Non-business tax credits

2.12 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 239.4	$ 229.4	$ 221.9	$ 225.2

Data Source Code: (A)

2.13 $20 personal exemption credit
Ohio Revised Code 5747.022; originally enacted 1983

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 152.5	$ 152.2	$ 152.2	$ 152.5

Data Source Code: (A)

2.14 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 119.5	$ 121.9	$ 130.7	$ 135.1

Data Source Code: (A)

2.15 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. The credit is the lesser of the amount of the tax levied by the other state or the amount of Ohio income tax that would otherwise have been levied on such income.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 117.9	$ 129.6	$ 135.4	$ 141.1

Data Source Code: (A)

2.16 $50 senior citizen credit
Ohio Revised Code 5747.05(C); originally enacted 1972

Senior citizens receive a $50 tax credit per return.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 26.8	$ 28.7	$ 29.1	$ 29.6

Data Source Code: (A)

2.17 Credit for income below $10,000
Ohio Revised Code 5747.056; originally enacted 2005

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 13.4	$ 13.1	$ 12.2	$ 11.9

Data Source Code: (A)

2.18 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 7.7	$ 8.1	$ 8.2	$ 8.2

Data Source Code: (A)

2.19 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 5.0	$ 5.5	$ 5.9	$ 6.2

Data Source Code: (A)

2.20 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.5	$ 1.6	$ 1.7	$ 1.8

Data Source Code: (A)

2.21 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 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.7	$ 1.9	$ 2.0	$ 2.1

Data Source Code: (A)

2.22 Credit for adoption related expenses
Ohio Revised Code 5747.37; originally enacted 1999

Taxpayers participating in a legal adoption can receive an income tax credit of $1,500 per child.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.4	$ 2.4	$ 2.3	$ 2.3

Data Source Code: (A),(C)

C. Business tax credits

2.23 Historic structure rehabilitation credit
Ohio Revised Code 149.311(A); originally enacted 2007

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.0	$ 7.1	$ 18.5	$ 26.1

Data Source Code: (A)

2.24 Technology Investment Tax Credit ("Edison Center" Tax Credit)[15]
Ohio Revised Code 122.151, 5747.33, 5733.34, 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 3.3	$ 4.8	$ 5.8	$ 6.8

Data Source Code: (B)

D. Tax expenditures with revenue impact below $1 million

2.25 Lump sum distribution credit
Ohio Revised Code 5747.05(D); originally enacted 1972

2.26 Deduction for organ donation expenses
Ohio Revised Code 5747.01(A)(25); originally enacted 2007

2.27 Enterprise zone day care/training credit[16]
Ohio Revised Code 5709.65; originally enacted 1982

2.28 Enterprise zone employee credit
Ohio Revised Code 5709.66; originally enacted 1994

2.29 Grape production credit
Ohio Revised Code 5747.28; originally enacted 1995

2.30 Ethanol plant investment credit
Ohio Revised Code 5747.75; originally enacted 2002

[15] This credit is also available to qualifying corporate franchise, public utility, and dealers in intangibles taxpayers. This estimate includes the amount of this credit attributable to those taxpayers, as well.
[16] This credit is also available under the dealer in intangibles tax and insurance tax. The figures shown represent the combined effect of removing the credit from all of these taxes.

Corporate Franchise Tax

The corporate franchise tax was first levied in 1902, on the value of capital stock located in Ohio. An alternative tax base, net income, was added in 1972. In tax year 2005 (the last year before the tax began to be phased down), 72 percent of corporate franchise tax liability was based on net income. However, by tax year 2010 almost the entire tax will again be based on net worth; furthermore, the tax will generate a mere fraction of the revenue that was produced in tax year 2005.

The reason for the nearly complete repeal of the tax is the enactment of a business tax reform package in 2005 (Am. Sub HB 66, 126th General Assembly). Under that 2005 law change, the corporate franchise tax is being phased out by 20 percentage-point increments over a five-year period (tax years 2006-2010) for all but financial institutions, affiliates of financial institutions, and affiliates of insurance companies. The phase-out of the corporate franchise tax coincides with the phase-in of a new state business tax, the commercial activity tax. Other than for corporations described below, beginning in 2010 the corporate franchise tax will be fully repealed.

Tax Base and Tax Rate

Regular (non-financial institution) corporate franchise taxpayers pay tax on the highest of three tax computations:
1. Net worth tax: Ohio net worth, multiplied by 4.00 mills; maximum $150,000 liability.
2. Net income tax: Ohio net income, multiplied by 5.1 percent on the first $50,000 and 8.5 percent on any excess above $50,000.
3. Minimum tax: $50 for small taxpayers; $1,000 for larger taxpayers.

(Note: Beginning in tax year 2010, affiliates of financial institutions and affiliates of insurance companies are the only remaining regular corporate franchise taxpayers.)

Financial institution corporate franchise taxpayers are subject to a 13 mill tax on net worth, with a minimum tax of $50 or $1,000.

Significant Changes Enacted by the 127th General Assembly

Except for an extension of the historic structure rehabilitation tax credit (a credit expected to be primarily claimed by individual income taxpayers, and therefore included in that section of this report), there were no significant changes enacted during the previous two years.

Corporate Franchise Tax Expenditures in this Report

This report has been structured to reflect tax expenditures in effect during fiscal years 2010 and 2011. Because a limited set of corporations will remain as regular corporate franchise taxpayers even after the full implementation of the tax reform changes enacted by HB 66, most tax expenditures for regular corporate franchise taxpayers still technically remain in existence. Because we expect there to be very few regular corporate franchise taxpayers in 2010 and beyond, the revenue impact associated with the remaining regular corporate franchise tax expenditures will be extremely small. For this reason, we have excluded all regular corporate franchise tax expenditures from this report. Only those expenditures available to financial institution taxpayers are in this report.

Excluded from the report is a refundable tax credit to defray the losses of lenders to the venture capital program created under Am. Sub. SB 180 (124th General Assembly). While the credit may have fiscal impact during the time period reflected in this report, the Department has no data to estimate the possible value of that credit.

Corporate Franchise Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure. The tax expenditure estimates were primarily based on information taken from corporate franchise tax returns filed with the Department of Taxation.

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

3.01 Goodwill, appreciation, and abandoned property of financial institutions
Ohio Revised Code 5733.056(B)(4); originally enacted 1933

The values of goodwill, appreciation, abandoned property, and investments in production credit associations are exempted from the net worth tax base of financial institutions.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 211.8	$ 169.4	$ 177.9	$ 186.8

Data Source Code: (A)

3.02 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 which is 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.9	$ 2.9	$ 2.9	$ 2.9

Data Source Code: (A)

3.03 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.8	$ 1.8	$ 1.8	$ 1.8

Data Source Code: (A)

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 central element in the landmark 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 2010 are required to be paid by November 10, 2010).

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 2008 equals 60% of the 0.26% rate (resulting in a 0.156% tax rate), the tax rate in fiscal year 2009 is 80% of the 0.26% rate (resulting in a 0.208 % tax rate), and fully phased-in tax rate of 0.26% takes effect in fiscal year 2010.[17]

Definition of Commercial Activity Tax Expenditures

Being a recently-enacted tax, in the previous Tax Expenditure Report we undertook the first effort in identifying the specific criteria that constitute a CAT tax expenditure. We have not changed those criteria for this report. The following characteristics are designated as meeting the definition of a CAT tax expenditure: (1) any exclusion, deduction or credit *not* contained in Ohio Revised Code (ORC) sections 5751.01 or 5751.011; or (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.

[17] In reality, the fiscal year 2008-2010 tax rates take effect on taxable gross receipts realized during the quarter immediately preceding the beginning of the fiscal year. For example, the 0.156% rate took effect in April 2007 (the second quarter of calendar year 2007) and the associated tax was not paid until August 2007 (fiscal year 2008). 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.).

Several items deserve specific mention. Four tax credits originally available against the corporate franchise tax became credits against the CAT beginning in fiscal year 2009. The revenue impacts for these credits for all four years (fiscal years 2008-2011) are shown in this section of the report even though in fiscal year 2008 the credits were still claimed against the corporate franchise tax.

The credit for unused corporate franchise tax net operating losses and other deferred tax assets (enacted by Am. Sub. HB 66, 126th General Assembly) is included in this report for the first time because it will be first claimed in fiscal year 2010.

Significant Changes Enacted by the 127th General Assembly

There were no significant changes enacted during the previous two years.

Commercial Activity Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund as a result of the tax expenditure.[18] **(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.)**

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.[19] In addition, the estimates for fiscal years 2010 and 2011 reflect the full-force 0.26% tax rate.

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 data reported by the U.S. Bureau of the Census. We should note that many of the CAT expenditure estimates in this report are based on estimates that were produced during the HB 66 legislative process.

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

[18] CAT revenues are scheduled to go into the Local Government Tangible Property Tax Replacement Fund and the School District Tangible Property Tax Replacement Fund during the years covered in this report. 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). State law mandates the local government and school district reimbursements to be made regardless of the actual amount of revenue produced by the CAT; the state General Revenue Fund (GRF) makes up any shortfall between CAT revenues and the required reimbursements. Furthermore, any amount remaining in the two reimbursement funds at the end of the fiscal year are transferred to the GRF. For these reasons, the CAT tax expenditures are considered as having a revenue impact on the GRF.

[19] Under ORC section 5751.032, if in September 2009 the Tax Commissioner determines that actual CAT collections for combined fiscal year 2009 exceeded 110% of prescribed tax collections for that period ($1.19 billion), a CAT tax rate reduction is to occur on January 1, 2010 (and a tax credit based on one-half of the computed excess takes effect for calendar year 2010). This report assumes no such rate reduction will occur, and that fiscal year 2010 and 2011 tax collections will be based on a 0.26% tax rate.

A. Exclusions and deductions

4.01 Exclusion of first $1 million of 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 133.7	$ 178.3	$ 222.8	$ 222.8

Data Source Code: (A)

4.02 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 realized from the sale of motor fuel by a licensed motor fuel dealer, licensed retail dealer, or licensed permissive motor fuel dealer.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 20.5	$ 27.4	$ 34.2	$ 34.2

Data Source Code: (A),(B)

4.03 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 allocation 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 allocation outside of Ohio.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 25.5	$ 34.0	$ 42.4	$ 42.4

Data Source Code: (A)

4.04 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 3.7	$ 4.8	$ 5.9	$ 5.7

Data Source Code: (A),(B)

4.05 Exclusion of real estate brokerage gross receipts that 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.7	$ 0.9	$ 1.2	$ 1.2

Data Source Code: (C)

4.06 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.2	$ 1.5	$ 1.9	$ 1.9

Data Source Code: (A),(B)

4.07 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.3	$ 1.9	$ 2.4	$ 2.4

Data Source Code: (B)

4.08 Motor vehicle transfer exclusion
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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.0	$ 1.3	$ 1.7	$ 1.7

Data Source Code: (C)

4.09 Exclusion of certain services to financial institutions
Ohio Revised Code 5751.01(F)(2)(u); originally enacted 2005

Exclusion of receipts received 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.6	$ 0.8	$ 1.0	$ 1.0

Data Source Code: (C)

B. Tax credits

4.10 Credit for increased qualified research and development expenses[20]
Ohio Revised Code 5733.351 and 5751.51; originally enacted 2002

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 5.0	$ 20.6	$ 22.2	$ 22.5

Data Source Code: (A)

4.11 Job creation credit[21]
Ohio Revised Code 122.17, 5725.32, 5729.032, 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 87.7	$ 92.0	$ 96.7	$ 101.5

Data Source Code: (A)

4.12 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 3.0	$ 4.0	$ 5.0	$ 6.0

Data Source Code: (A),(B)

[20] For fiscal year 2008, this credit was available to corporate franchise taxpayers. Beginning in fiscal year 2009, the credit is available only against the commercial activity tax.
[21] This credit is also available to qualifying domestic insurance company and qualifying foreign insurance company taxpayers. This estimate includes the estimated credit amount attributable to those taxpayers.

4.13 Job retention tax credit[22]
Ohio Revised Code 122.16 and 5751.50(B); originally enacted 2003

An eligible business 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 up to 15 years. An eligible business is defined as one that has an average of at least 1,000 full-time employees at the site, is engaged at the project site primarily as a manufacturer or is providing significant corporate administrative functions, either makes at least $200 million in capital investments over a three-year period, or provides average wages of four hundred percent of the federal minimum wage for all full-time employment positions and at least $100 million in the aggregate at the project site over a three-year period. The eligible business must also have a capital investment project reviewed and approved by the tax credit authority.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.9	$ 9.3	$ 9.3	$ 9.3

Data Source Code: (A),(B)

4.14 Credit for net operating loss carryforwards and other deferred tax assets[23]
Ohio Revised Code 5751.53; originally enacted 2005

Beginning in calendar year 2010, qualifying taxpayers may claim a nonrefundable tax credit equal to 8 percent of the taxpayer's franchise tax net operating loss carryforwards and other deferred tax items. The credit allowed to be claimed in any given year equals 10 percent of the total generated credit and any credit carried forward from a previous year, but may not exceed 50 percent of the taxpayer's commercial activity tax liability for that year.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.0	$ 0.0	$ 10.0	$ 29.0

Data Source Code: (A)

C. Tax expenditures with revenue impact below $1 million

4.15 Exemption for pre-1972 trusts
Ohio Revised Code 5751.01(E)(11); originally enacted 2005

4.16 Anti-neoplastic drug exclusion
Ohio Revised Code 5751.01(F)(2)(v); originally enacted 2005

4.17 Horse racing taxes and purse exclusion
Ohio Revised Code 5751.01(F)(2)(y); originally enacted 2005

[22] For fiscal year 2008, the credit was available to corporate franchise taxpayers. Beginning fiscal year 2009, the credit is available only against the commercial activity tax.
[23] The revenue impact of this credit will be considerably smaller in fiscal year 2010 than in following years because a full-year's worth of tax credits will not be claimed (used). The only *calendar* year 2010 tax return to be filed during *fiscal* year 2010 is for the first quarter reporting period. This will mitigate the amount of credits expected to be claimed in fiscal year 2010.

Public Utility Excise Tax

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. In 2005, telephone companies became subject to the corporate franchise tax, their services became subject to the sales and use tax, and they became exempt from the public utility excise tax (Am. Sub. House Bill 95, 125th General Assembly).

Tax Base

Gross receipts for natural gas, pipeline, heating, water transportation, and water works companies.[24] There is a minimum tax of $50 for each tax year.

Tax Rate

4.75 percent, except pipeline companies pay 6.75 percent.

Public Utility Excise Tax Expenditures

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure. We have also attempted to reflect the impact of a possible "overlapping" provision (i.e., another credit, exclusion or exemption available to the taxpayer) that effectively reduces the revenue consequences associated with the tax expenditure.

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

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

[24] 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). Additionally, these companies became subject to the natural gas consumption tax to mitigate the impact of a reduction in their tangible personal property tax (Am. Sub. Senate Bill 287, 123rd General Assembly).

5.01 Exemption for municipal utilities and non-profit waterworks
Ohio Revised Code 5727.05; originally enacted 1896

Utility services provided by municipal corporations 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 63.3	$ 63.3	$ 63.3	$ 63.3

Data Source Code: (B)

5.02 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 8.1	$ 8.1	$ 8.1	$ 8.1

Data Source Code: (A)

Tax expenditures with revenue impact below $1 million

5.03 $25,000 exemption from gross receipts for each public utility company
Ohio Revised Code 5727.33; originally enacted 1934, revised 2004

5.04 Sales to other public utilities for resale
Ohio Revised Code 5727.33(B)(4); originally enacted 1961, revised 2004

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 to replace the reduced property tax revenues, 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 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 Rate

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 3.5 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 estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure.

Data used to estimate the expenditure was 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.

6.01 Exemption for qualified end-users
Ohio Revised Code 5727.81(D); originally enacted 1999

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

(Dollar Amounts in Millions)

	FY 2008	FY 2009	FY 2010	FY 2011
Estimates:	$ 2.9	$ 2.8	$ 4.6	$ 4.6

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

Insurance Premiums Tax

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 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 Premiums Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure.

Data for these tax expenditures are from the Ohio Department of Insurance and 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.

7.01 Deduction for premiums received from qualified small business alliances
Ohio Revised Code 1731.07; originally enacted 1993

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 8.6	$ 9.0	$ 9.3	$ 9.5

Data Source Code: (B)

7.02 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 a maximum of $200,000 against its foreign or domestic insurance premium tax liability. The credit is based on the ratio derived by dividing the company's or group's premiums sold in all sates by $75 million. This ratio is multiplied by $200,000 to yield the tax credit amount.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 2.9	$ 2.8	$ 2.7	$ 2.6

Data Source Code: (B)

7.03 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 make contributions to a fund used to pay Ohioans with insurance policies held by bankrupt companies. Members are able to use their contribution as a credit on the state franchise or premium tax return. Each year's credit equals 20 percent of the contributed amount. The contribution credit may be claimed over five years. Therefore, by the end of the five-year period the total cumulative credit received by the taxpayer equals the full amount it had contributed to the fund.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 0.8	$ 0.8	$ 1.7	$ 1.7

Data Source Code: (B)

Cigarettes and Other Tobacco Products Tax

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 the 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 ($1.25 per pack of 20 cigarettes). 17 percent on the wholesale price of other tobacco products.

Significant Changes Enacted by the 127th General Assembly

The most notable change enacted during the past two years is the repeal of a provision that, during any given month, allowed persons in this state to use, store or consume cigarettes with up to $300 in wholesale value without being liable for unpaid Ohio use taxes. Consumers could buy up to $300 worth of cigarettes each month from a state with a lower cigarette tax rate and not be liable for tax on the difference. Because of the repeal of this cigarette "importation" provision, the accompanying tax expenditure no longer appears in this report.

Cigarettes and Other Tobacco Products Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure.

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

8.01 Discount for cigarette tax stamps
Ohio Revised Code 5743.05; originally enacted 1934, revised 2006

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. Under Ohio law, the value of this discount shall not be less than 1.8 percent of more than 10 percent of the face value of the tax stamps and meter impressions, with the exact rate to be set by rule. Under the current rule, the rate of this discount is 1.8 percent. Cigarette excise taxpayers shall not receive this tax stamp discount on payments made when filing a monthly or semi-monthly return.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 15.9	$ 15.4	$ 15.0	$ 14.7

Data Source Code: (A)

Tax expenditures with revenue impact below $1 million

8.02 Discount for timely payment of other tobacco products' excise tax
Ohio Revised Code 5743.52; originally enacted 1993

Alcoholic Beverages 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 ounces	0.84 cent per six ounces
Containers 12 ounces or less	0.14 cent per ounce
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
Other	
Mixed Beverages	$1.20 per gallon
Cider	24 cents per gallon

Alcoholic Beverages Tax Expenditures

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated 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 returns filed with the Department of Taxation.

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

9.01 Advanced payment credit/discount
Ohio Revised Code 4303.33; originally enacted 1963

Beer and malt beverage permit holders are eligible to receive a 3.0 percent credit on advance payments made on or before the 18th of the covered month. In addition, they can receive a discount equal to the lesser of 3.0 percent of the payment remaining after deducting the advance payment, or 0.3 percent of the advance payment (as long as the full monthly payment is received by the 10th of the month for the previous month's liability). Wine and mixed beverage permit holders are eligible to receive a 3.0 percent credit on payments made on or before the 18th of the previous month's tax liability.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 1.4	$ 1.4	$ 1.5	$ 1.5

Data Source Code: (A)

Tax expenditures with revenue impact below $1 million

9.02 Sacramental wine exemption
Ohio Revised Code 4301.23; originally enacted 1937

9.03 Small brewer's credit
Ohio Revised Code 4303.332; originally enacted 1982

9.04 Small wine producer's exemption
Ohio Revised Code 4303.333, 4303.23, 4303.071; originally enacted 1982, revised 2008

Estate Tax

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 (the local-state revenue split is different for estates with dates of death before January 1, 2002). Although most local jurisdictions receive little or no estate tax revenue in any given year, there is nonetheless a considerable degree of variability in how localities are impacted by the estate tax. According to a 2006 Ohio Department of Taxation study on the Ohio estate tax, nearly 75 percent (1,647) of all townships and municipalities received less than $10 per capita in estate tax revenue in 2004. In contrast, roughly 300 jurisdictions (13 percent of all municipalities and townships) received an amount exceeding $20 per capita in 2004; of these jurisdictions, 32 received over $100 per capita. That said, note that the estimates in this report reflect only the state General Revenue Fund (20 percent of total estate tax revenues), and excludes the impact on local governments (80 percent of total estate tax revenues).

Tax Base

The taxable estate is the market value of the gross estate less deductions.

Tax Rates

All estates receive a tax credit equal to the lesser of the estate's tax liability or $13,900. Estates with taxable value of $338,333 and below are exempt from the estate tax because the tax credit completely offsets their tax liability.

The tax imposed shown in the table below is *prior* to the tax credit.

Taxable Estate Value Brackets	Tax Imposed (before credit)
$338,334 – $500,000	$13,900 + 6% of excess over $300,000
$500,001 and over	$23,600 + 7% of excess over $500,000

Estate Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the state General Revenue Fund from each indicated tax expenditure.

Data for these estimates are based upon estate tax returns finalized during fiscal year 2008.

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

A. Deductions

10.01 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 42.3	$ 42.3	$ 42.3	$ 42.3

Data Source Code: (A)

10.02 Funeral and administration expenses and debts against 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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 8.7	$ 8.7	$ 8.7	$ 8.7

Data Source Code: (A)

10.03 Deduction of qualified charitable contributions
Ohio Revised Code 5731.17; originally enacted 1968

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

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 12.1	$ 12.1	$ 12.1	$ 12.1

Data Source Code: (A)

B. Tax credit

10.04 Credit for each estate
Ohio Revised Code 5731.02(B); originally enacted 1983, revised 2000

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.

(Dollar Amounts in Millions)

Estimates:	FY 2008	FY 2009	FY 2010	FY 2011
	$ 36.0	$ 36.0	$ 36.0	$ 36.0

Data Source Code: (A)

Distributional Detail on Selected Tax Expenditures

A tax expenditure inherently provides some level of financial benefit to those that qualify for and use it. The benefit level varies by taxpayer, depending on how the taxpayer's specific circumstances match with the nature of the preference. For instance, due to the progressive nature of the Ohio income tax rate structure, higher-income individuals receive a larger whole-dollar benefit from the personal exemption than those with lower incomes (i.e., those in lower tax brackets).

For most tax expenditures, measuring the relative benefits provided to the recipients is not a simple proposition. The largest single impediment to such a measurement is the lack of data about specific tax expenditure beneficiaries. Fortunately, for at least some tax expenditures there is enough available data to provide information on how those expenditures are allocated among qualifying taxpayers. Provided below is distributional detail for selected tax expenditures in which the necessary taxpayer detail was available.

Note that the information below reflects the most recent available data. In the case of the individual income tax, tax year 2006 represents the most recent available data. In contrast, the estimates provided elsewhere in this report cover the fiscal year 2008 to 2011 period. For this reason, some of the figures provided below are not found in the body of this report.

The particular tax expenditures and detail provided below were not selected for any reason other than the availability of data and what was thought to be of interest to the reader. The information is in no way intended either as an implied critique or endorsement of the indicated tax expenditures. We provide the information with the hope that it will provide a broader understanding of state tax expenditures and enhance the reader's knowledge of the Ohio tax system.

Sales and Use Tax Expenditure

1.36 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 is remitted by the due date.

0.75% discount received by sales tax vendors*, by amount of sales or use tax collected – Fiscal Year 2008
(Shows portion of discount attributable to state General Revenue Fund)

Amount of sales tax collected, FY 2008	Number of vendors	Discount Received	Average Discount
Less than $1,000	89,951	$180,000	$2
$1,000 - $5,000	42,684	800,000	19
$5,000 - $10,000	19,397	1,050,000	54
$10,000 - $50,000	32,642	5,520,000	169
$50,000 - $100,000	6,670	3,490,000	523
$100,000 - $500,000	5,522	8,330,000	1,509
$500,000 - $1,000,000	621	3,240,000	5,217
$1,000,000 and above	687	28,070,000	40,859
Total	198,174	$50,680,000	$256

*Also includes seller's use tax accounts.

Individual Income Tax Expenditures

2.02 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.

Exemption for social security and railroad retirement benefits, by amount of Ohio taxable income[25] – Tax Year 2006

Ohio Taxable Income	Number of Taxpayers	Amount of Deduction	Revenue Foregone from Deduction	Average Tax Savings
$0 to $10,000	1,932	$9,985,227	0	0
$10,000 to $20,000	17,773	42,879,114	$908,648	$51
$20,000 to $40,000	91,090	224,901,219	8,359,273	92
$40,000 to $60,000	155,225	1,015,040,799	40,724,210	262
$60,000 to $80,000	121,225	1,498,182,872	69,611,373	574
$80,000 to $100,000	62,961	960,712,429	48,474,983	770
$100,000 to $150,000	41,663	685,265,168	40,016,415	960
$150,000 to $200,000	13,519	240,588,506	14,823,562	1,096
$200,000 to $500,000	15,867	309,414,413	20,821,360	1,312
$500,000 to $1,000,000	3,411	72,557,664	4,984,712	1,461
$1,000,000 and above	3,180	73,365,943	5,040,240	1,585
Total	527,846	$5,132,893,354	$253,764,778	

2.04 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.

Exemption for disability income, by amount of Ohio taxable income[25] – Tax Year 2006

Ohio Taxable Income	Number of Taxpayers	Amount of Deduction	Revenue Foregone from Deduction	Average Tax Savings
$0 to $10,000	4,049	$20,292,661	0	0
$10,000 to $20,000	10,818	93,444,432	$1,568,636	$145
$20,000 to $40,000	9,626	115,574,896	3,192,607	332
$40,000 to $60,000	15,326	222,191,284	8,050,563	525
$60,000 to $80,000	12,605	206,894,734	9,125,789	724
$80,000 to $100,000	6,563	123,458,896	6,022,350	918
$100,000 to $150,000	4,049	94,629,578	5,224,436	1,290
$150,000 to $200,000	978	27,882,960	1,655,643	1,693
$200,000 to $500,000	821	28,099,311	1,812,375	2,208
$500,000 to $1,000,000	106	2,502,216	171,902	1,622
$1,000,000 and above	65	3,378,678	232,115	3,571
Total	65,006	$938,349,646	$37,056,416	

[25] Taxpayers with taxable income of $10,000 and below are fully exempt from Ohio income tax. Therefore, for such taxpayers the deductions and exemptions provided in this table, as well as others, are essentially moot.

2.09 Deduction for contributions to 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 program or the variable college savings program.

Deduction for contributions to college savings programs, by amount of Ohio taxable income[25] – Tax Year 2006

Ohio Taxable Income	Number of Taxpayers	Amount of Deduction	Revenue Foregone from Deduction	Average Tax Savings
$0 to $10,000	344	$519,159	0	0
$10,000 to $20,000	982	1,890,950	$55,376	$56
$20,000 to $40,000	3,830	7,306,295	280,867	73
$40,000 to $60,000	6,633	13,274,507	605,129	91
$60,000 to $80,000	8,790	18,519,116	860,914	98
$80,000 to $100,000	9,777	22,412,092	1,204,550	123
$100,000 to $150,000	15,822	44,503,697	2,647,584	167
$150,000 to $200,000	6,794	23,656,800	1,446,568	213
$200,000 to $500,000	9,292	40,182,679	2,718,716	293
$500,000 to $1,000,000	2,077	10,646,089	731,386	352
$1,000,000 and above	854	5,048,707	346,846	406
Total	65,195	$187,960,091	$10,897,936	

Commercial Activity Tax Expenditure

4.01 Exclusion of first $1 million of 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.

$1 million maximum exclusion available to each CAT taxpayer, by size of taxpayer's taxable gross receipts - Fiscal Year 2008
(dollars in 1,000s)

Size of Taxable Gross Receipts, FY 2008	Number of Taxpayers	Exclusion	Revenue impact of exclusion at FY 2008 tax rate of 0.156%	Revenue impact of exclusion at full CAT tax rate of 0.26%
Less than $1 million	124,557	$40,790,057	$63,632	$106,054
$1 million - $5 million	33,332	32,436,050	50,600	84,334
$5 million - $10 million	5,826	5,626,143	8,777	14,628
$10 million - $25 million	3,982	3,859,275	6,020	10,034
$25 million - $50 million	1,467	1,438,887	2,245	3,741
$50 million - $100 million	758	739,026	1,153	1,921
$100 million - $500 million	694	678,096	1,058	1,763
$500 million - $1 billion	74	73,647	115	191
$1 billion and above	62	62,496	97	162
TOTAL	170,752	$85,703,676	$133,697	$222,830

FY 2010-2011 Tax Expenditures, by Functional Category and Amount of Revenue Foregone
(in millions)

Number	Tax Expenditure	Tax	GRF Revenue Foregone FY 2010	GRF Revenue Foregone FY 2011
Business Assistance and Economic Development				
1.04	Tangible personal property used primarily in manufacturing tangible personal property, including property incorporated into the manufactured product	Sales and Use	$1,724.3	$1,724.3
1.06	Sales of tangible personal property and services to electricity providers	Sales and Use	316.4	331.8
1.05	Packaging and packaging equipment	Sales and Use	230.4	230.4
4.01	Exclusion of first $1 million of taxable gross receipts	Commercial Activity	222.8	222.8
3.01	Goodwill, appreciation, and abandoned property of financial institutions	Corporate Franchise	177.9	186.8
1.07	Tangible personal property used or consumed in agriculture and mining	Sales and Use	149.1	153.0
1.12	Tangible personal property used directly in providing public utility services	Sales and Use	117.0	117.6
4.11	Job creation credit	Commercial Activity	96.7	101.5
1.16	Sales of tangible personal property and services sold to providers or telecommunications services	Sales and Use	88.6	88.6
1.18	Property used in transportation for hire	Sales and Use	52.0	52.8
1.36	Discount for vendors	Sales and Use	49.5	50.9
1.13	Property used to fulfill a warranty or service contract	Sales and Use	49.3	49.3
4.03	Qualifying distribution center receipts exclusion	Commercial Activity	42.4	42.4
1.17	Qualified tangible personal property used in making retail sales	Sales and Use	34.4	35.3
4.02	State and federal fuel excise tax exclusion	Commercial Activity	34.2	34.2
1.15	Tangible personal property used in research and development	Sales and Use	32.1	32.6
1.08	Tangible personal property used to produce printed materials	Sales and Use	32.0	32.5
4.14	Credit for net operating loss carryforwards and other deferred tax assets	Commercial Activity	10.0	29.0
2.23	Historic structure rehabilitation credit	Individual Income	18.5	26.1
4.10	Credit for increased research and development expenses	Commercial Activity	22.2	22.5
1.19	Qualified call center exemption	Sales and Use	21.4	21.4
1.09	Tangible personal property used in storing, preparing and serving food	Sales and Use	14.4	15.2
8.01	Discount for cigarette tax stamps	Cigarette and OTP	15.0	14.7
2.07	Pre-1972 trusts	Individual Income	12.5	12.9
7.01	Deduction for premiums received from qualified small business alliances	Insurance	9.3	9.5
1.20	Copyrighted motion pictures and films	Sales and Use	8.4	8.8
5.02	Credit for certain natural gas companies	Public Utility Excise	8.1	8.1
2.24	Technology investment tax credit	Individual Income	5.8	6.8
1.22	Drugs distributed to physicians as free samples	Sales and Use	6.4	6.7
4.04	State and federal cigarette excise tax exclusion	Commercial Activity	5.9	5.7

Number	Tax Expenditure	Tax	GRF Revenue Foregone FY 2010	GRF Revenue Foregone FY 2011
Business Assistance and Economic Development—continued				
1.25	Tangible personal property used in electronic publishing	Sales and Use	5.2	5.6
6.01	Exemption for qualified end-users	Kilowatt-Hour	4.6	4.6
1.33	Sales of materials and services for maintenance and repair of aircraft	Sales and Use	4.5	4.5
1.21	Equipment used in private warehouses and distribution centers with inventory primarily shipped out of state	Sales and Use	4.2	4.2
3.02	Credit for financial institution investment in a dealer in intangibles	Corporate Franchise	2.9	2.9
7.02	Credit for small insurers	Insurance	2.7	2.6
4.07	Professional employer organization exclusion	Commercial Activity	2.4	2.4
1.23	Property used in air, noise, or water pollution control	Sales and Use	2.3	2.3
1.34	Flight simulators	Sales and Use	2.3	2.3
1.10	Tangible personal property used in preparing eggs for sale	Sales and Use	1.9	1.9
4.06	State and federal alcoholic beverage tax exclusion	Commercial Activity	1.9	1.9
3.03	State-chartered savings & loan credit	Corporate Franchise	1.8	1.8
4.08	Motor vehicle transfer exclusion	Commercial Activity	1.7	1.7
7.03	Ohio Life and Health Guaranty Association contribution credit	Insurance	1.7	1.7
9.01	Advanced payment credit/discount	Alcoholic Beverage	1.5	1.5
4.05	Exclusion for real estate brokerage gross receipts that are not retained	Commercial Activity	1.2	1.2
1.32	$800 tax cap on qualified fractionally-owned aircraft	Sales and Use	1.1	1.1
4.09	Exclusion for certain services to financial institutions	Commercial Activity	1.0	1.0
4.12	Research and development loan program credit	Commercial Activity	5.0	6.0
4.13	Job retention tax credit	Commercial Activity	9.3	9.3
1.43	Agricultural property (use on use)	Sales and Use	minimal	minimal
1.44	Agricultural land tile and portable grain bins	Sales and Use	minimal	minimal
1.45	Tangible personal property used or consumed in commercial fishing	Sales and Use	minimal	minimal
1.46	Ships and rail rolling stock used in interstate or foreign commerce	Sales and Use	minimal	minimal
1.48	Property for use in a retail business outside Ohio	Sales and Use	minimal	minimal
1.49	Property used in energy or waste conversion facilities	Sales and Use	minimal	minimal
1.51	Sales of qualified tangible personal property to qualified motor racing teams	Sales and Use	minimal	minimal
1.52	Sales of tangible personal property and services for maintenance and repair of qualified fractionally-owned aircraft	Sales and Use	minimal	minimal
2.27	Enterprise zone day care/training tax credit	Individual Income	minimal	minimal
2.28	Enterprise zone employee credit	Individual Income	minimal	minimal
2.29	Grape production credit	Individual Income	minimal	minimal
2.30	Ethanol plant investment credit	Individual Income	minimal	minimal

Number	Tax Expenditure	Tax	GRF Revenue Foregone FY 2010	GRF Revenue Foregone FY 2011
Business Assistance and Economic Development—continued				
4.15	Exemption for pre-1972 trusts	Commercial Activity	minimal	minimal
4.16	Anti-neoplastic drug exclusion	Commercial Activity	minimal	minimal
4.17	Horse racing taxes and purse exclusion	Commercial Activity	minimal	minimal
5.03	$25,000 exemption from gross receipts for each public utility company	Public Utility Excise	minimal	minimal
5.04	Sales to other public utilities for resale	Public Utility Excise	minimal	minimal
8.02	Discount for timely payment of other tobacco products' excise tax	Cigarette and OTP	minimal	minimal
9.03	Small brewer's credit	Alcoholic Beverage	minimal	minimal
9.04	Small wine producer's exemption	Alcoholic Beverage	minimal	minimal
Total business assistance and economic development			**$3,666.2**	**$3,734.7**
Assistance to Public and Nonprofit Organizations				
1.11	Building and construction materials used in certain structures	Sales and Use	$410.8	$435.5
1.01	Sales to churches and certain other non-profit organizations	Sales and Use	332.1	347.5
1.02	Sales to the state, any of its political subdivisions, and to certain other states	Sales and Use	125.6	129.3
5.01	Exemption for municipal utilities and non-profit waterworks	Public Utility Excise	63.3	63.3
1.03	Sales by churches and certain types of non-profit organizations	Sales and Use	17.9	18.8
1.24	Emergency and fire protection vehicles and equipment	Sales and Use	1.2	1.2
1.39	Sales to non-commercial, educational broadcast stations	Sales and Use	minimal	minimal
1.40	Sales to veterans' headquarters	Sales and Use	minimal	minimal
1.41	Sales to facilities financed with public hospital bonds	Sales and Use	minimal	minimal
1.42	Sales of animals by non-profit animal shelters	Sales and Use	minimal	minimal
1.47	Sales of property for use in non-profit presentations of music, dramatics, the arts, and related fields	Sales and Use	minimal	minimal
9.02	Sacramental wine exemption	Alcoholic Beverage	minimal	minimal
Total assistance to public and nonprofit organizations			**$950.9**	**$995.6**
Health or Education-Related Assistance to Individuals				
1.26	Prescription drugs and selected medical items	Sales and Use	$619.5	$696.9
2.06	Deduction for excess medical expenses	Individual Income	75.0	82.5
2.04	Exemption for disability income	Individual Income	35.7	36.7
1.37	Food sold to students on school premises	Sales and Use	22.2	23.5
2.03	Deduction for taxpayers ineligible for employer sponsored medical plans	Individual Income	12.5	13.5
1.30	Artificial limbs, prostheses, wheelchairs and other durable medical equipment	Sales and Use	12.5	12.7
2.09	Deduction for contributions to college savings programs	Individual Income	10.7	11.3
2.08	Deduction for long-term care insurance premiums	Individual Income	7.7	8.1
2.21	Displaced worker job training credit	Individual Income	2.0	2.1

Number	Tax Expenditure	Tax	GRF Revenue Foregone FY 2010	GRF Revenue Foregone FY 2011
Health or Education-Related Assistance to Individuals—continued				
2.10	Deduction for contributions to medical savings accounts	Individual Income	1.0	1.0
1.50	Sales of computers and computer equipment to certified teachers	Sales and Use	minimal	minimal
1.53	Bulk water for residential use	Sales and Use	minimal	minimal
2.26	Deduction for organ donation expenses	Individual Income	minimal	minimal
Total health or education-related assistance			**$798.8**	**$888.3**
Other Fiscal Assistance to Individuals				
2.01	Personal, spousal, and dependent deduction	Individual Income	$500.9	$519.8
2.02	Social security and railroad retirement benefits	Individual Income	319.8	362.0
2.12	Joint filer credit	Individual Income	221.9	225.2
1.27	Transportation of persons and property	Sales and Use	177.4	177.4
2.13	$20 personal exemption credit	Individual Income	152.2	152.5
2.15	Resident credit for income taxed by another state	Individual Income	135.4	141.1
2.14	Retirement income credit	Individual Income	130.7	135.1
1.35	Value of motor vehicle trade-ins	Sales and Use	115.5	120.2
10.01	Marital deduction	Estate	42.3	42.3
10.04	Credit for each estate	Estate	36.0	36.0
1.14	Motor vehicles sold in Ohio for use outside the state	Sales and Use	33.8	35.4
2.16	$50 senior citizen credit	Individual Income	29.1	29.6
2.11	Deduction for military retirement income	Individual Income	22.4	23.7
2.05	Exemption for active-duty military income	Individual Income	20.5	21.2
1.28	Newspapers	Sales and Use	20.6	20.8
1.29	Magazine subscriptions	Sales and Use	13.3	13.3
10.03	Deduction for qualified charitable contributions	Estate	12.1	12.1
2.17	Credit for income below $10,000	Individual Income	12.2	11.9
10.02	Funeral and administration expenses and debts against estate	Estate	8.7	8.7
2.18	Dependent care credit	Individual Income	8.2	8.2
2.19	Campaign contribution credit	Individual Income	5.9	6.2
1.38	Value of watercraft trade-ins	Sales and Use	3.3	3.2
2.22	Credit for adoption related expenses	Individual Income	2.3	2.3
1.31	Sales or used manufactured and mobile homes	Sales and Use	2.1	2.1
2.20	Lump sum retirement income credit	Individual Income	1.7	1.8
1.54	Refundable deposits on beverage containers	Sales and Use	minimal	minimal
2.25	Lump sum distribution credit	Individual Income	minimal	minimal
Total other fiscal assistance to individuals			**$2,028.3**	**$2,112.1**
GRAND TOTAL			**$7,444.2**	**$7,730.7**