



## **TAX REFORM: Local Sales Tax Proposal**

With Ohio broadening its sales tax base to include more services, local county governments and transit authorities will now have broader sales tax bases as well, and without the same sales tax rate reduction that the state is making would end up imposing significant new tax increases on their citizens and businesses simply by keeping their local rates at current levels. Though the increases would vary by county, revenue increases would average 30 percent more at current rates.

To prevent 96 individual county and transit sales tax increases across Ohio – and their inevitable commensurate negative impact on job creation -- the state will statutorily adjust local sales tax rates downward from 10-30 percent. Without the adjustment, it would result in a \$700 million tax increase and diminish the job-creating value of the Governor's tax cut and reform plan. At the same time, to protect the fiscal vitality of counties and transit authorities the state is guaranteeing fair and predictable revenue growth for all recipients of the tax.

### **Counties and Transit Authorities: Revenue Will Grow**

Beginning in July, 2013, local governments will not be able to change their sales tax rates for three years. State-managed local rate reductions and hold harmless adjustments will be in effect until July, 2016. At that point, counties and transit authorities will regain responsibility for managing sales tax rates. However, the levels to which local rates will be adjusted are intended to produce a revenue increase of at least a 10 percent revenue increase over the prior year beginning with the December, 2013 distribution allowing local governments to cope with – and actually benefit from – this policy.

### **Initial Rate Reduction**

As mentioned, local rates will be reduced by statute. As counties have a different mix of businesses in their sales tax base, the rate reductions among counties will vary. Generally, larger counties with more taxable service providers will have larger rate decreases than counties with fewer providers. Rates will be set at increments of .05 percent. Currently those rates are set at .25 percent increments. Regardless of the level at which the rates are set, each local government is guaranteed 10 percent revenue growth for the period from December, 2013 through November, 2014 relative to the "base year" (i.e. Dec. 2012 - Nov. 2013). If, during the two years ending in November, 2013, a local government's average annual sales tax growth exceeded 10 percent, then that government is guaranteed to receive growth based on that higher average annual rate. As a matter of course, if the rates as adjusted fall short of the revenues promised, the state will make up the shortage with supplemental payments to the effected counties and transit authorities. If the adjusted rates end up producing more revenue than guaranteed, the local governments will retain the overage.

### **Second Series of Tax Rates (first 'reset' of tax rates)**

Beginning in year 2 – January, 2015 – the Department of Taxation will recalculate the local rates again. This recalibration will use data from the first year in which the expanded tax base took effect. Results from this first 'reset' of tax rates will go into effect April, 2015.

Because there is a lag before revenue from these more accurate tax rates is realized, during the period December, 2014 – June, 2015 counties and transit authorities are guaranteed to receive at least 115 percent of what was received during the December, 2012 – June, 2013 period. Revenue from the January, 2015 rate 'reset' will begin to be realized in July 2015. During the remainder of calendar year 2015 and the first six months of 2016, local governments will experience revenue growth to the extent their total sales tax base grows. June, 2015 will be the last supplemental guarantee payment.

**Final Series Tax Rates** (second 'reset' of rates)

In January, 2016, rates will again be reset, using updated actual local sales tax data. This set of rates will go into effect in April, 2016.

June, 2015 will be the last supplemental guarantee payment.

**Impact on Vendors**

Ohio's 330,000 vendors are authorized to retain a small, fixed percentage of the sales tax they collect on behalf of the state and local governments. This is called the vendor 'discount'. It will remain at the existing .75% of the total sales tax collected. Businesses providing services proposed to be subject to sales tax would also be eligible for the vendor discount.

***(Please see accompanying Table below for Local Sales Tax Rates (current & adjusted) and revenues derived from those rates (actual and estimated.)***

**2012 County and Transit Authority Sales Tax Distributions & Estimated Guaranteed Minimum Growth**

Note: These figures are illustrative only. The 10% growth guarantee will be made during the December 2013 through November 2014 period, and will be based on actual distributions made during the prior year.

County	Current Local Rate %	CY 2012 Distributions	Proposed Local Rate %	CY 2012 Actual Distribution Plus 10% Growth*	Estimated Growth (10% of CY 2012 distributions)
Adams	1.50	\$3,458,263	1.35	\$3,804,000	\$346,000
Allen	1.00	15,200,305	0.80	16,720,000	1,520,000
Ashland	1.25	6,557,668	1.00	7,213,000	655,000
Ashtabula	1.00	9,256,667	0.80	10,182,000	925,000
Athens	1.25	7,255,557	1.10	7,981,000	725,000
Auglaize	1.50	7,621,884	1.20	8,384,000	762,000
Belmont	1.50	13,107,463	1.20	14,418,000	1,311,000
Brown	1.50	4,531,870	1.35	4,985,000	453,000
Butler	0.75	32,309,959	0.60	35,541,000	3,231,000
Carroll	1.00	2,551,865	0.90	2,807,000	255,000
Champaign	1.50	4,859,352	1.20	5,345,000	486,000
Clark	1.50	21,540,034	1.20	23,694,000	2,154,000
Clermont	1.00	21,767,404	0.80	23,944,000	2,177,000
Clinton	1.50	6,733,839	1.20	7,407,000	673,000
Columbiana	1.50	14,544,533	1.20	15,999,000	1,454,000
Coshocton	1.50	4,756,894	1.20	5,233,000	476,000
Crawford	1.50	5,333,574	1.20	5,867,000	533,000
Cuyahoga	1.25	226,787,081	0.80	249,466,000	22,679,000
Darke	1.50	7,080,251	1.20	7,788,000	708,000
Defiance	1.00	4,995,515	0.80	5,495,000	499,000
Delaware	1.25	43,781,301	0.80	48,159,000	4,378,000
Erie	1.00	13,692,654	0.65	15,062,000	1,369,000
Fairfield	1.00	17,523,415	0.80	19,276,000	1,753,000
Fayette	1.50	7,179,091	1.20	7,897,000	718,000
Franklin	0.75	144,759,817	0.50	159,236,000	14,476,000
Fulton	1.50	6,515,976	1.20	7,168,000	652,000
Gallia	1.25	4,449,639	1.00	4,895,000	445,000
Geauga	1.00	11,695,305	0.75	12,865,000	1,170,000
Greene	1.00	22,609,622	0.80	24,871,000	2,261,000
Guernsey	1.50	6,886,984	1.20	7,576,000	689,000
Hamilton	1.00	133,305,110	0.65	146,636,000	13,331,000
Hancock	1.00	12,075,927	0.75	13,284,000	1,208,000
Hardin	1.50	3,857,511	1.35	4,243,000	385,000
Harrison	1.50	1,817,586	1.35	1,999,000	181,000
Henry	1.50	3,780,489	1.20	4,159,000	379,000
Highland	1.50	5,705,769	1.20	6,276,000	570,000
Hocking	1.25	3,247,254	1.10	3,572,000	325,000
Holmes	1.00	5,540,673	0.80	6,095,000	554,000
Huron	1.50	8,418,052	1.20	9,260,000	842,000
Jackson	1.50	4,818,525	1.20	5,300,000	481,000
Jefferson	1.50	10,853,303	1.20	11,939,000	1,086,000
Knox	1.00	5,852,970	0.80	6,438,000	585,000
Lake	1.00	23,506,594	0.75	25,857,000	2,350,000
Lawrence	1.50	7,951,532	1.35	8,747,000	795,000
Licking	1.50	26,417,743	1.20	29,060,000	2,642,000
Logan	1.50	8,167,808	1.10	8,985,000	817,000
Lorain	0.75	24,591,363	0.60	27,050,000	2,459,000
Lucas	1.25	74,767,436	1.00	82,244,000	7,477,000
Madison	1.25	4,884,523	1.00	5,373,000	488,000
Mahoning	1.00	30,406,335	0.80	33,447,000	3,041,000
Marion	1.00	9,331,141	0.80	10,264,000	933,000
Medina	1.00	20,874,896	0.80	22,962,000	2,087,000
Meigs	1.50	1,481,740	1.35	1,630,000	148,000
Mercer	1.50	6,517,484	1.20	7,169,000	652,000
Miami	1.25	14,768,683	1.00	16,246,000	1,477,000
Monroe	1.50	1,988,068	1.20	2,187,000	199,000
Montgomery	1.00	68,717,750	0.75	75,590,000	6,872,000
Morgan	1.50	1,310,211	1.35	1,441,000	131,000
Morrow	1.50	3,057,962	1.35	3,364,000	306,000

**2012 County and Transit Authority Sales Tax Distributions & Estimated Guaranteed Minimum Growth**

Note: These figures are illustrative only. The 10% growth guarantee will be made during the December 2013 through November 2014 period, and will be based on actual distributions made during the prior year.

County	Current Local Rate %	CY 2012 Distributions	Proposed Local Rate %	CY 2012 Actual Distribution Plus 10% Growth*	Estimated Growth (10% of CY 2012 distributions)
Muskingum	1.50	15,916,084	1.20	17,508,000	1,592,000
Noble	1.50	1,286,993	1.35	1,416,000	129,000
Ottawa	1.25	6,666,394	1.00	7,333,000	667,000
Paulding	1.50	1,791,739	1.20	1,971,000	179,000
Perry	1.50	3,299,764	1.35	3,630,000	330,000
Pickaway	1.50	6,469,285	1.20	7,116,000	647,000
Pike	1.50	4,815,116	1.20	5,297,000	482,000
Portage	1.00	17,292,506	0.80	19,022,000	1,729,000
Preble	1.50	4,681,459	1.20	5,150,000	469,000
Putnam	1.50	4,967,019	1.20	5,464,000	497,000
Richland	1.25	20,297,157	1.00	22,327,000	2,030,000
Ross	1.50	13,321,850	1.20	14,654,000	1,332,000
Sandusky	1.50	9,939,072	1.20	10,933,000	994,000
Scioto	1.50	10,878,951	1.20	11,967,000	1,088,000
Seneca	1.50	7,423,072	1.20	8,165,000	742,000
Shelby	1.50	8,054,436	1.10	8,860,000	806,000
Stark	0.50	12,405,310	0.40	13,646,000	1,241,000
Summit	0.50	37,768,033	0.35	41,545,000	3,777,000
Trumbull	1.00	23,140,130	0.80	25,454,000	2,314,000
Tuscarawas	1.00	10,604,657	0.80	11,665,000	1,060,000
Union	1.25	11,716,038	1.00	12,888,000	1,172,000
Van Wert	1.50	3,994,541	1.20	4,394,000	399,000
Vinton	1.50	1,062,053	1.35	1,168,000	106,000
Warren	1.00	30,332,459	0.65	33,366,000	3,034,000
Washington	1.50	11,140,219	1.20	12,254,000	1,114,000
Wayne	0.75	9,307,746	0.60	10,239,000	931,000
Williams	1.50	5,100,869	1.20	5,611,000	510,000
Wood	1.00	17,176,637	0.75	18,894,000	1,717,000
Wyandot	1.50	3,294,833	1.20	3,624,000	329,000
<b>County Total</b>		<b>\$1,541,502,638</b>		<b>\$1,695,656,000</b>	<b>\$154,151,000</b>

**Transit Authority**

Greater Cleveland Regional Transit Authority	1.00	\$181,219,251	0.65	\$199,341,000	\$18,122,000
Central Ohio Regional Transit Authority	0.50	104,479,130	0.30	114,927,000	10,448,000
Laketran Transit Authority	0.25	7,843,548	0.20	8,628,000	784,000
Western Reserve Transit Authority	0.25	7,590,580	0.20	8,350,000	759,000
Greater Dayton/ Miami Valley Regional Transit Auth	0.50	34,312,575	0.35	37,744,000	3,431,000
Portage Area Regional Transit Authority	0.25	4,319,281	0.20	4,751,000	432,000
Stark Area Regional Transit Authority	0.25	12,401,259	0.20	13,641,000	1,240,000
Metro Regional Transit Authority	0.50	37,713,252	0.35	41,485,000	3,772,000
<b>Transit Authority Total</b>		<b>\$389,878,876</b>		<b>\$428,867,000</b>	<b>\$38,988,000</b>

<b>GRAND TOTAL</b>		<b>\$1,931,381,514</b>		<b>\$2,124,523,000</b>	<b>\$193,139,000</b>
--------------------	--	------------------------	--	------------------------	----------------------

\*Estimated minimum distribution