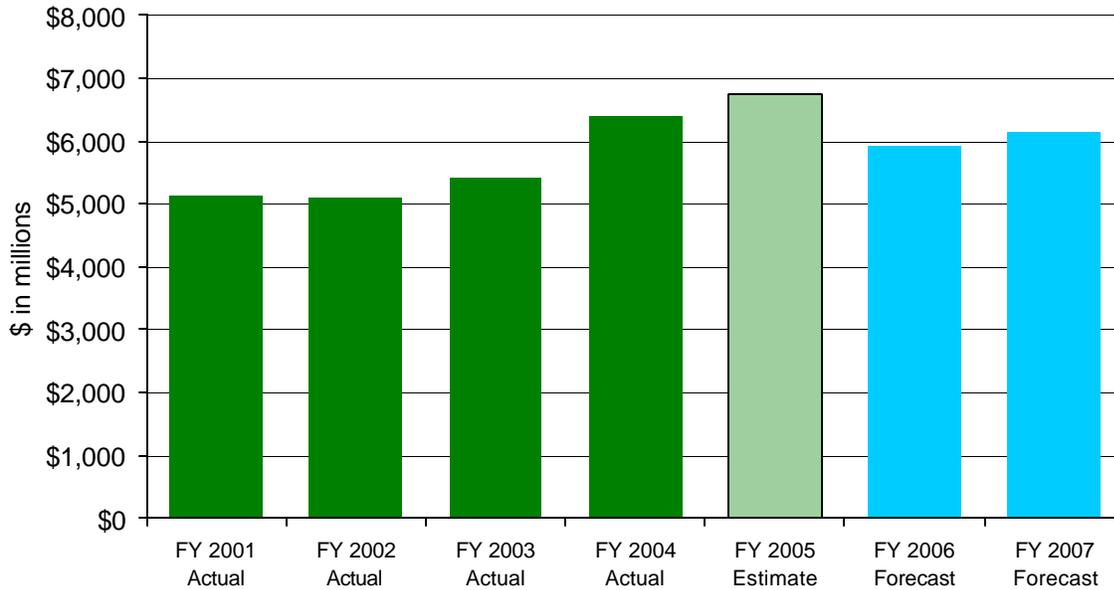


Nonauto Sales Tax

**GRF Revenues from the Nonauto Sales and Use Tax**  
 (in millions)



	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Forecast	FY 2007 Forecast
Revenue	\$5,124.1	\$5,110.4	\$5,431.7	\$6,407.7	\$6,750.0	\$5,920.0	\$6,147.9
Growth	0.6%	-0.3%	6.3%	18.0%	5.3%	-12.3%	3.8%

The forecast for the nonauto sales and use tax is based on a regression of quarterly nonauto sales and use tax revenues against Ohio personal disposable income, housing starts, and manufacturing employment. A dummy variable was used to account for the tax rate increase.

An analysis of nonauto sales and use tax receipts in the last few years indicates that the performance of the nonauto sales and use tax is showing encouraging signs of improvement after several years of negative or sub par growth. Nonauto sales and use tax revenues declined 0.3% in FY 2002 and grew 6.3% in FY 2003. Without the added revenues from the Ohio Tax Amnesty (Am. Sub. H.B. 94, 124th General Assembly),<sup>4</sup> and the change in the tax treatment of auto leases (Am. Sub. H.B. 405, 124th General

<sup>4</sup> Am. Sub. H.B. 94 granted an amnesty for certain delinquent state taxes whereby outstanding tax delinquencies would be paid without payment of associated penalties and without payment of one-half of the accrued interest.

Assembly),<sup>5</sup> nonauto sales and use tax receipts in FY 2002 would have declined about 2% from FY 2001 revenues. After subtracting the additional revenues from the acceleration of sales and use tax payments in the last quarter of FY 2003 (H.B. 40, 125th General Assembly),<sup>6</sup> nonauto sales and use tax revenues would have grown by about 1% in FY 2003.

Am. Sub. H.B. 95 (125th General Assembly) made numerous changes to sales and use tax laws. Most notably, the budget act temporarily increased the sales and use tax rate from 5% to 6% on July 1, 2003. H.B. 95 also expanded the sales and use tax base by imposing the tax on new services effective August 1, 2003, and by eliminating certain small exemptions. Sales of the following services became taxable: storage facilities (not including parking), selected personal care services (skin care, tanning, manicures, pedicures, application of cosmetics, etc.), satellite broadcasting, dry cleaning and laundry (not including coin operated), delivery charges, snow removal, intrastate transportation of persons (not water transportation), vehicle towing, and local telecommunication services (which became taxable January 1, 2004).

Revenue growth in FY 2004 is the result of the tax rate increase, but the taxable base declined 1.7%, unsurprising after a tax rate increase. With the apparent end of the recession and the tax base expansion, the nonauto sales and use tax is poised for a turnaround in FY 2005, with a growth rate more in line with long-term trend growth. The decrease in revenue in FY 2006 is due to the tax rate going back to the statutory rate of 5%.

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<sup>5</sup> Am. Sub. H.B. 405 changed to the way Ohio sales and use tax is applied to the lease of motor vehicles, watercraft, outboard motors, and aircraft. Prior to H.B. 405, the tax was collected each month, based on the monthly lease payments. With H.B. 405, the entire tax is collected at the time the lease is consummated and applied to the total amount that would be paid throughout the term of the lease. Car, motorboat, and aircraft leases are mostly included in the nonauto sales tax base, rather than the auto sales tax base.

<sup>6</sup> Am. Sub. H.B. 40 changed the historical patterns of remittance of sales and use tax receipts starting in April 2003. Under prior law, monthly sales and use tax receipts reflected taxable transactions in the prior month. Under current law, certain large taxpayers must remit sales tax payments in the same month the transactions occur. Thus, monthly sales tax receipts reflect taxable transactions in both the current and the prior month.