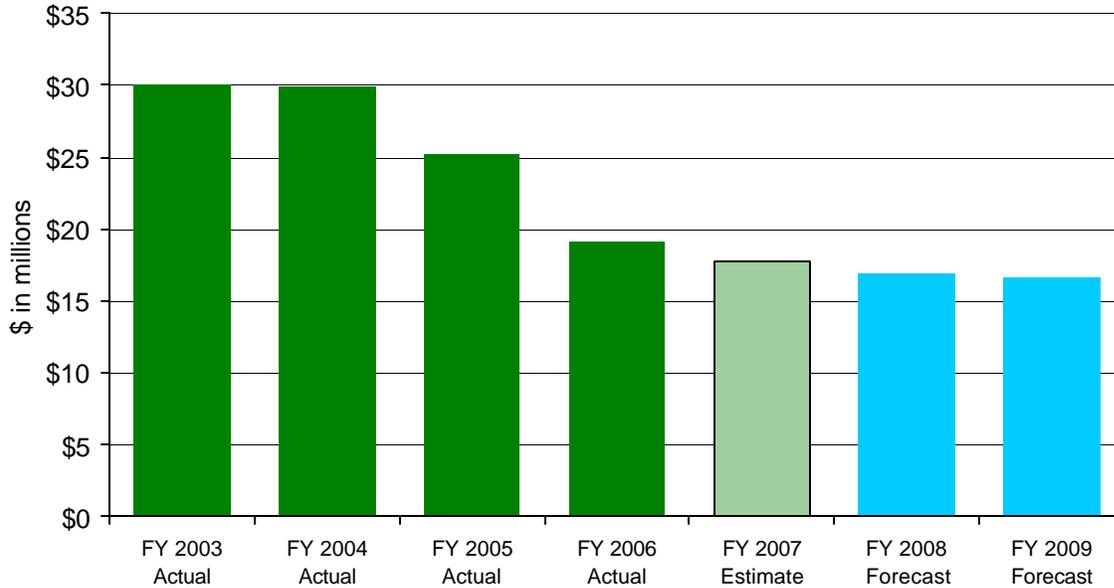


Dealers in Intangibles Tax

GRF Revenues from the Dealers in Intangibles Tax

(in millions)



	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$30.0	\$29.9	\$25.2	\$19.1	\$17.7	\$16.9	\$16.6
Growth	322.5%	-0.3%	-15.7%	-24.2%	-7.5%	-4.4%	-1.4%

Ohio law provides for the taxation of shares and capital employed by dealers in intangibles. The tax, which is known as the dealers in intangibles tax, is imposed on businesses (excluding financial institutions and insurance companies) engaged in lending money; buying and selling notes, mortgages, and other evidences of indebtedness; and firms buying and selling securities. The tax rate is 8 mills on the value of shares or capital employed by the dealers. The distribution of receipts from this tax depends on the type of taxpayer. For "nonqualifying" dealers, 3 mills are deposited in the GRF. The remainder, 5 mills, is distributed to the counties. All taxes paid by "qualifying dealers" are credited to the GRF. A "qualifying" dealer is a dealer that is a member of a "controlled group" of which a financial institution or insurance company is also a member.

Tax policy changes have been the main cause of significant revenue fluctuations for this tax over the years. The forecast for FY 2008 and FY 2009 is based on trend analysis of the contribution to GRF revenues by qualifying and nonqualifying dealers in the last few fiscal years. The tax liability from nonqualifying dealers is expected to grow modestly. Conversely, revenues from qualifying dealers are expected to decline.

Revenues from qualifying dealers are volatile because they are highly dependent on investments by financial institutions and insurance companies in their subsidiary dealers (which are important contributors to the tax base). Business reorganizations, mergers and acquisitions, and other tax planning strategies may also affect the tax. The correction of imbalances in the housing industry and its impact on the consumer finance industry may contribute to declining revenues from the dealers in intangibles tax in the current fiscal year and into the next biennium.