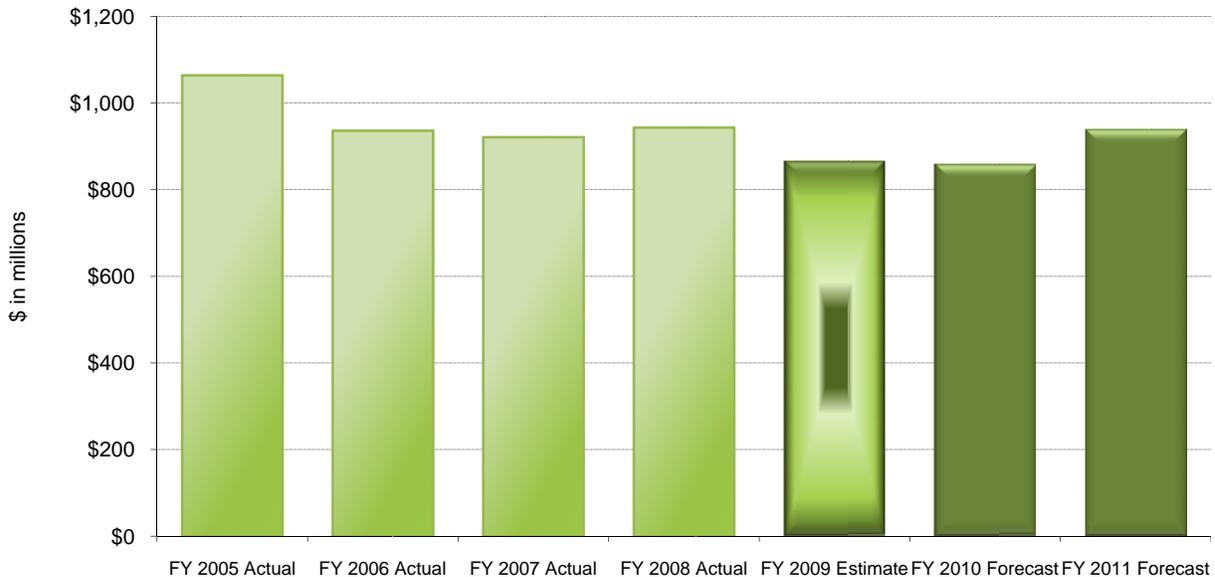


Auto Sales and Use Tax

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



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	\$1,064.1	\$936.4	\$921.5	\$943.5	\$866.0	\$859.2	\$939.4
Growth	-5.2%	-12.0%	-1.6%	2.4%	-8.2%	-0.8%	9.3%

The forecast for the auto sales and use tax is based primarily on regressions of quarterly auto sales and use tax revenues against nationwide unit sales and against new auto registrations and average prices. Estimates were adjusted to reflect actual performance of the tax through December 2008. The auto tax taxable base shrank from FY 2002 through FY 2007 before rebounding in FY 2008. The receipts decline in FY 2006 was due to the reduction in the tax rate from 6.0% to 5.5% on July 1, 2005. Growth in FY 2008 was from a new tax on vehicle purchases by nonresidents (Am. Sub. H.B. 119). The revenue decline in FY 2009 reflects the freefall in vehicle sales during the current economic recession. The convergence of stalled consumer spending, higher gasoline prices during the spring and summer of 2008, and difficult credit conditions resulted in nationwide levels of vehicle sales not seen since 1982. The total value of taxable sales in FY 2010 is expected to be just slightly above that of FY 1999. Tax receipts are expected to grow in FY 2011. However, the size of the revenue growth will be dependent on the timing of the economic recovery, gasoline prices, and the ability of consumers to obtain loans.

Economic conditions determine the total demand for vehicles. As incentives from manufacturers and dealers have varied over the years, the auto sales and use tax has become more volatile. However, the effectiveness of those incentives to increase unit sales has become increasingly limited in Ohio. Changes in gasoline prices mainly affect the sales mix of autos and light trucks. Higher gasoline prices decrease the sale of light trucks, which in turn restrains the growth of the auto tax taxable base.