

Logistics Tax Comparison Study

March 18, 2011

Prepared For
The Columbus Region Logistics Council

Prepared By
Policy Research and Strategic Planning Office
Ohio Department of Development



ABOUT THIS REPORT

The Logistics Tax Comparison Study was prepared by the Policy Research and Strategic Planning Office with support and research compiled by Schneider Downs & Co., Inc. and Vorys, Sater, Seymour and Pease. The report was issued in 2011 by the Columbus Chamber of Commerce's Columbus Region Logistics Council.

This tax comparison provides a snapshot of the tax liabilities of a single hypothetical distribution center before the application of state or local economic development tax incentives. Many factors can change the outcomes of this analysis and recommend that an individual making a location decision consult with financial and tax specialists concerning their specific circumstances.

This hypothetical firm cost analysis was conducted independently of the study states Departments of Taxation and local Auditors Offices and should not be construed as binding or definitive. This analysis is made to identify potential differences, not to be referenced as a legal authoritative source.

In a complete analysis of an optimal location one would include a tax comparison, as well as, labor, transportation, and site costs analysis which are outside the scope of this analysis. State and local tax structures change regularly and recommend surveying the local communities' websites for those changes.

Executive Summary

Columbus Region Logistics Council, Logistics Tax Comparison Study

The Relative Tax Liabilities of an Economic Development Project Located in the State of Ohio and Select Comparison States

Development Information

Type of Development Activity:

- Attraction or Retention

Economic Sector:

- Distribution, Logistics Facility

Corporate Tax Structure:

- C-corporation

Locations of Interest

The State of Ohio (OH)

- City of Columbus, Rickenbacker Airfield

Comparison States (Locations)

- Illinois (City of Naperville, DuPage County; City of Orland Park, Cook County)
- Indiana (City of Indianapolis, Marion County)
- Kentucky (City of Louisville, Jefferson County)
- Pennsylvania (Pennsbury Village Boro, Allegheny County; City of Pittsburgh, Allegheny County)
- Tennessee (City of Memphis, Shelby County)

Investment Data

Capital Investment:

- Total Investment of \$34.1 million, of which:
 - 1) Real property of \$8.16 million
 - 2) General business personal property of \$25.94 million

Total Sales:

- \$6.05 million in total taxable sales
- An estimated 4.0-percent profit margin and a 5.0-percent in-state sales factor

Workforce / Talent Information

Total full-time equivalent workforce:

- Retained FTE of 12, with an average hourly wage of \$15.00
- New FTE of 39, with an average hourly wage of \$12.50

Total payroll:

- \$1.3 million, not counting benefits and other compensation

Figure 1
Summary, State and Local Tax Assessment **with**
Workforce Wage and Sales-Use Taxes, Before
Application of Abatements, Grants, and Other Tax
Incentives

(Source: Table #1, Page #6)

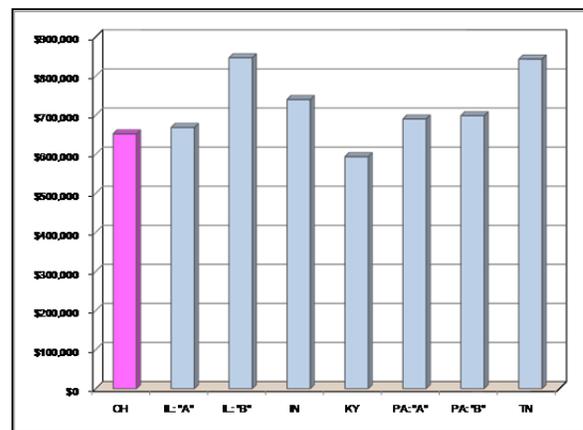
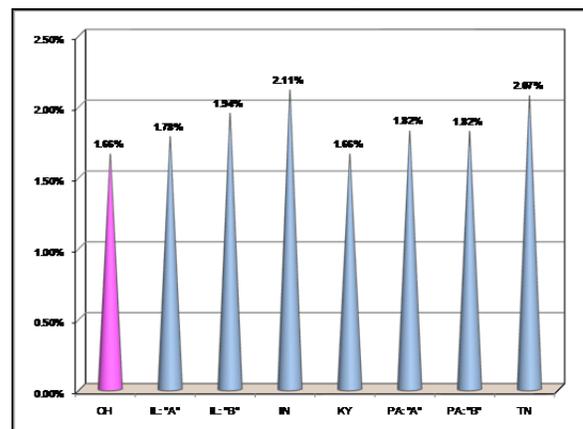


Figure 2
Effective Tax Rate on New Capital Investments

(Source: Table #1, Page #6)



Columbus Region Logistics Council Logistics Tax Comparison Study

State and Local Tax Structure Comparison

*Comparing the State of Ohio to the States of Illinois,
Indiana, Kentucky, Pennsylvania, and Tennessee*

Please Note

The data and supporting assumptions used in this tax comparison study are hypothetical in nature. This information has been selected to observe the impact of locating a “hypothetical” logistics-distribution operation within the State of Ohio and select other locations

Columbus Region Logistics Council

Logistics Tax Comparison Study

Assessment Assumptions

Site / Location Information

State of Ohio (OH)

- The City of Columbus (Rickenbacker Airport area)

Additional Locations of Interest

- Illinois (IL)
 - 1) The City of Naperville, DuPage / Will County (IL, Site "A")
 - 2) The City of Orland Park, Cook County (IL, Site "B")
- Indiana (IN)
 - 1) The City of Indianapolis, Marion County

Note: The City of Indianapolis and Marion County are a consolidated regional government
- Kentucky (KY)
 - 1) The City of Louisville, Jefferson County

Note: The City of Louisville and Jefferson County are a consolidated regional government
- Pennsylvania (PA)
 - 1) Pennsbury Village Boro, Allegheny County (PA, Site "A")
 - 2) The City of Pittsburgh, Allegheny County (PA, Site "B")
- Tennessee (TN)
 - 1) The City of Memphis, Shelby County

Investment Assumptions

Economic Classification: C-corporation; Basic Distribution Center

N.A.I.C.S. Code Classification: 493 Warehousing and Storage

Capital Investment

- Total Investment of \$34,099,823, of which:
 - 1) \$8,163,363 in real property, of which \$1,053,405 is land and \$7,109,958 is for building related purposes
 - 2) \$25,936,460 in classified general business personal property, of which \$1,415,948 is for equipment and machinery, \$160,000 is for furniture and fixtures, and \$24,360,512 is for inventories

Workforce Investment

- Total full-time equivalent (FTE) workforce is 51, of which retained FTE is 12 and new FTE is 39
 - Average wage for a new FTE is \$12.50 per hour, \$26,000 per year, with total new FTE payroll of \$1.01 million (est.), not including benefits and other compensation
 - Average wage for a retained FTE is \$15.00 per hour, \$31,200 per year, with total retained FTE payroll of \$374,400 (est.), not including benefits and other compensation
 - Total combined payroll, new and retained FTE, is \$1,388,400 per year
- Note: Total payroll is based on average hour wage, 2,080 total hours, and total FTE*

Corporate Information

- Corporate tax classification as c-corporation
 - Total locational sales in a range of \$4,838,906 to \$7,258,359 per year
- Note: The statistical mean and median of total locational sales is \$6,048,633*
- Estimated profit margin in a range from 3.0 to 5.0 percent
- Note: The statistical mean and average estimated profit margin is 4.0 percent*
- In-state sales factor of 5.0 percent

Columbus Region Logistics Council

Logistics Tax Comparison Study

Assessment Summary

Figure 3

Summary, State and Local Tax Assessment **without** Workforce Wage and Sales-Use Taxes, Before Application of Abatements, Grants, and Other Tax Incentives

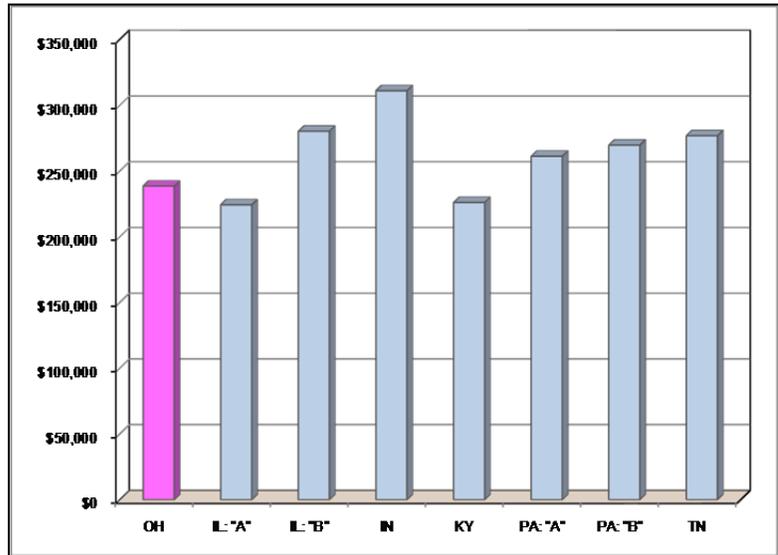
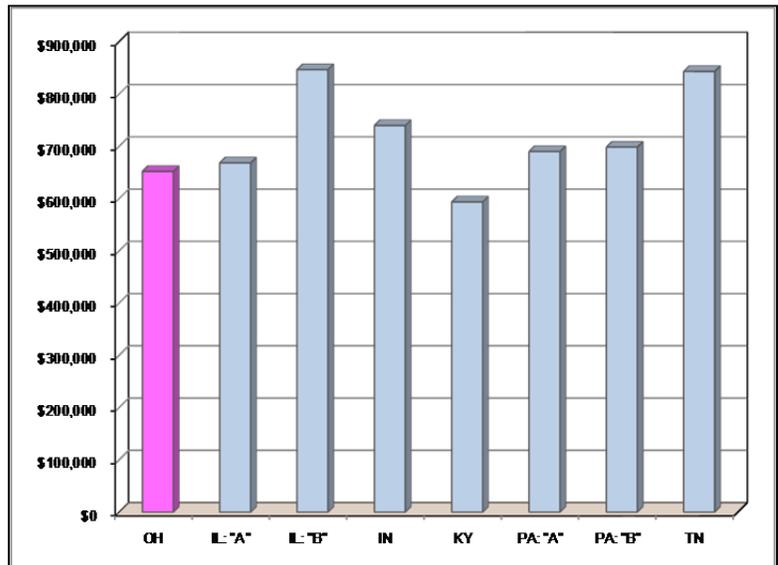


Figure 4

Summary, State and Local Tax Assessment **with** Workforce Wage and Sales-Use Taxes, Before Application of Abatements, Grants, and Other Tax Incentives



Columbus Region Logistics Council

Logistics Tax Comparison Study

Assessment Summary (continued)

Figure 5

Summary Comparison of Major Tax Classifications without Workforce Wage and Sales-Use Taxes, Before Application of Abatements, Grants, and Other Tax Incentives

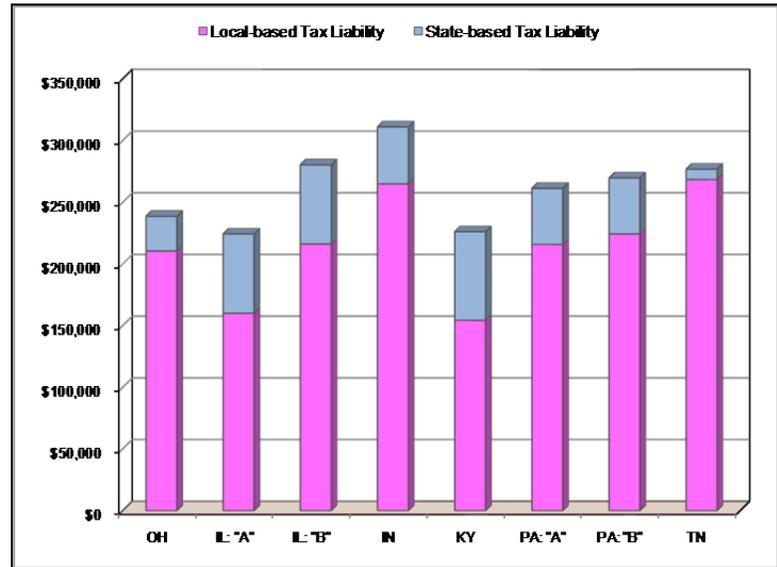
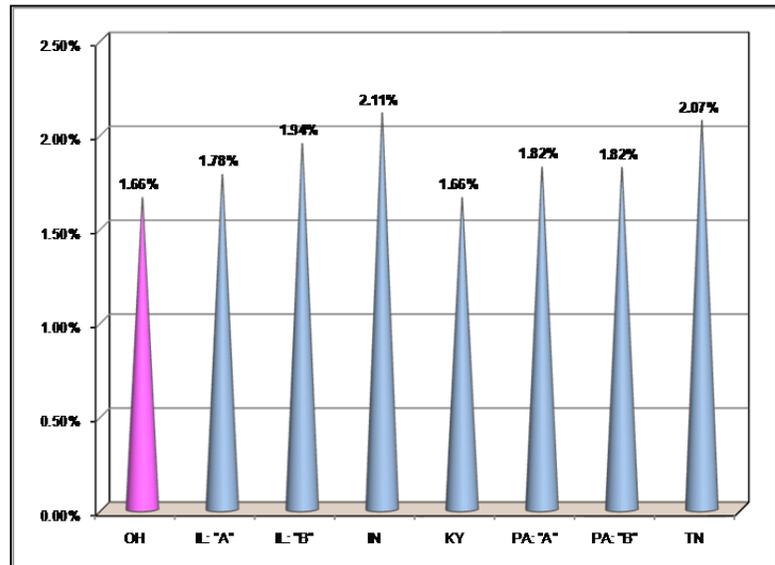


Figure 6

Net Effective Tax Rate on New Capital Investment, Before Application of Abatements, Grants, and Other Tax Incentives



Columbus Region Logistics Council

Logistics Tax Comparison Study

Table 1

Summary: Tax Comparison Assessment, Before Incentives, Abatements, and Tax Credits

	Ohio	Illinois Site "A"	Site "B"	Indiana	Kentucky	Pennsylvania Site "A"	Site "B"	Tennessee
Summary, State-Local Business Tax Liability	\$238,500	\$224,230	\$280,194	\$311,027	\$226,035	\$261,178	\$269,599	\$276,761
Summary, Plus One-time Revenue	\$651,771	\$668,113	\$846,527	\$739,603	\$593,387	\$689,754	\$698,175	\$843,095
State-based Tax Liability	\$28,076	\$64,149	\$64,149	\$46,074	\$71,641	\$45,358	\$45,358	\$8,406
Of Which:								
Corporate Income	EXEMPT	\$1,149	\$1,149	\$2,982	\$7,621	\$3,505	\$3,505	\$8,256
Business Privilege Tax (CAT)	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Small Business Income Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Income Tax	\$27,926	\$62,850	\$62,850	\$42,942	\$63,870	\$41,703	\$41,703	N/A
Sales and Use Tax, Consumer-basis	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Local-based Tax Liability	\$210,424	\$160,081	\$216,045	\$264,953	\$154,394	\$215,820	\$224,241	\$268,355
Of Which:								
Real Property	\$200,171	\$160,081	\$216,045	\$225,080	\$108,989	\$207,516	\$206,953	\$235,618
Personal Property	Exempt	Exempt	Exempt	\$18,843	\$16,847	Exempt	Exempt	\$32,284
Of Which:								
Equipment and Machinery	Exempt	Exempt	Exempt	\$14,851	\$2,020	Exempt	Exempt	\$29,149
Furniture and Fixtures	Exempt	Exempt	Exempt	\$3,992	\$2,647	Exempt	Exempt	\$3,135
Inventories	Exempt	Exempt	Exempt	Exempt	\$12,180	Exempt	Exempt	Exempt
Corporate Income Tax	\$780	N/A	N/A	\$568	\$772	\$1,512	\$1,052	\$454
Small Business Income Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal Income Tax	\$9,473	N/A	N/A	\$20,461	\$27,786	\$6,792	\$16,236	N/A
Sales and Use Tax, Consumer-basis	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
One-time Revenues	\$413,270	\$443,883	\$566,333	\$428,577	\$367,351	\$428,577	\$428,577	\$566,333
Of Which:								
State Capital Sales Tax	\$336,739	\$382,658	\$382,658	\$428,577	\$367,351	\$367,351	\$367,351	\$428,577
Local Capital Sales Tax	\$76,532	\$61,225	\$183,676	\$0	\$0	\$61,225	\$61,225	\$137,757

Ratio, Summary Factors

Competitive Position, Ohio to Select States (1)								
Summary, State-Local Business Tax Liability		\$14,270	(\$41,694)	(\$72,526)	\$12,465	(\$22,677)	(\$31,099)	(\$38,261)
Summary, Plus One-time Revenue		(\$16,342)	(\$194,757)	(\$87,833)	\$58,384	(\$37,983)	(\$46,405)	(\$191,324)
State to Local-based Tax Ratio (2)	0.1334	0.4007	0.2969	0.1739	0.4640	0.2102	0.2023	0.0313
Tax Rate on New Capital Investment (3)	1.66%	1.78%	1.94%	2.11%	1.66%	1.82%	1.82%	2.07%

Definitions: Exempt = Subject item is exempt from taxation; N/A = Not Applicable

Notes: 1) Competitive Position: Ohio to Select States = State of Ohio - Select State; 2) State to Local-based Tax Ratio = State Tax / Local Tax; 3) Effective Tax Rate on New Capital Investment = Property Tax + Business Tax + Income Tax (State) + Sales and Use Tax (State)

Columbus Region Logistics Council

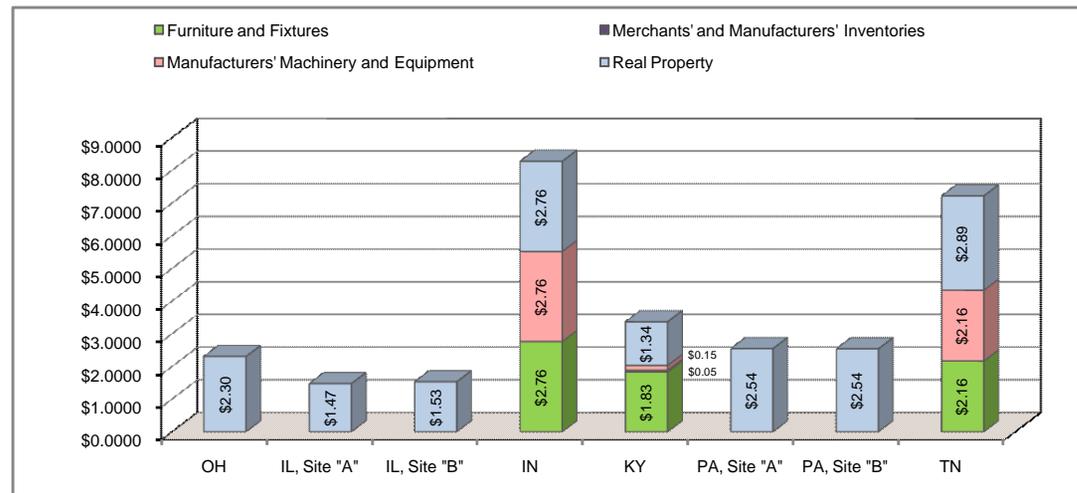
Logistics Tax Comparison Study

Table 2

The State of Ohio and Select Locations, Property Tax Rates in Current and Dollars per \$100 of Market Value, Before Incentives, Abatements, and Tax Credits

	Ohio	IL, Site "A"	IL, Site "B"	IN	KY	PA, Site "A"	PA, Site "B"	TN
Real Property								
Tax Base	In mills	\$ per \$100	\$ per \$100	\$ per \$100	\$ per \$100	In Mills	In Mills	\$ per \$100
Class 2 Rate	65.7141	5.8829	6.1090	2.7572	133.5100	29.4900	29.4100	7.2157
Assessment Ratio	0.3500	0.2500	0.2500	1.0000	1.0000	0.8620	0.8620	0.4000
Illinois Equalization Rate	N/A	0.9600	3.0424	N/A	N/A	N/A	N/A	N/A
Rate, per \$100 of Value	\$2.3000	\$1.4707	\$1.5273	\$2.7572	\$1.3351	\$2.5420	\$2.5351	2.88628
Personal Property								
Tax Base	Exempt	Exempt	Exempt	\$ per \$100	\$ per \$100	Exempt	Exempt	\$ per \$100
Manufacturers' Machinery and Equipment	Exempt	Exempt	Exempt	2.7572	15.0000	Exempt	Exempt	7.2157
Assessment Ratio	Exempt	Exempt	Exempt	0.4000	1.0000	Exempt	Exempt	0.3
Rate, per \$100	Exempt	Exempt	Exempt	\$2.7572	\$0.1500	Exempt	Exempt	2.16471
Furniture and Fixtures	Exempt	Exempt	Exempt	2.7572	182.8000	Exempt	Exempt	7.2157
Assessment Ratio	Exempt	Exempt	Exempt	1.0000	1.0000	Exempt	Exempt	0.3
Rate, per \$100	Exempt	Exempt	Exempt	\$2.7572	\$1.8280	Exempt	Exempt	2.16471
Merchants' and Manufacturers' Inventories	Exempt	Exempt	Exempt	Exempt	5.0000	Exempt	Exempt	Exempt
Assessment Ratio	Exempt	Exempt	Exempt	Exempt	1.0000	Exempt	Exempt	Exempt
Rate, per \$100	Exempt	Exempt	Exempt	Exempt	\$0.0500	Exempt	Exempt	Exempt

Property Taxes in Dollars per \$100 of Market Value



Columbus Region Logistics Council Logistics Tax Comparison Study

State and Local Tax Structure Comparison

*Comparing the state and local tax structure in the State
of Ohio to the States of Illinois, Indiana, Kentucky,
Pennsylvania, and Tennessee*

Columbus Region Logistics Council

Logistics Tax Comparison Study

Table 3

Comparing State and Local Tax Structures,
The States of Ohio, Illinois, Indiana, Kentucky, Pennsylvania, and Tennessee

	Real Property Tax	Personal Property Tax	Corporate Income / Franchise Tax	Business Privilege Tax	Personal Income Tax	Sales and Use Tax
OHIO	Yes	EXEMPT	EXEMPT	Yes	Yes	Yes
Illinois	Yes	No	Yes	No (See Below, Business Privilege Tax)	Yes	Yes
Indiana	Yes	Yes	Yes	No (See Below, Business Privilege Tax)	Yes	Yes
Kentucky	Yes	Yes	Yes	No (See Below, Business Privilege Tax)	Yes	Yes
Pennsylvania	Yes	No	Yes	No (See Below, Business Privilege Tax)	Yes	Yes
Tennessee	Yes	Yes	Yes	No (See Below, Business Privilege Tax)	No	Yes

Table Notes

- Real Property Tax – The States of Ohio, Illinois, Indiana, Kentucky, Pennsylvania, and Tennessee tax real property
- Personal Property Tax – General business personal property is exempt from taxation in the State of Ohio, Illinois, and Pennsylvania, but taxable in the States of Indiana, Kentucky, and Tennessee
- Corporate Income / Franchise Tax – Business income is exempt from taxation in the State of Ohio. The States of Illinois, Indiana, Kentucky, Pennsylvania, and Tennessee tax business income via a state two-part business income tax. In addition, the States of Ohio, Indiana, Kentucky, and Pennsylvania grant permissive authority to local government to levy a business income taxes.
- Business Privilege Tax – Ohio Revised Code 5751.01 requires the commercial activity tax is paid by all businesses that either:
 - Have at least \$500,000 in taxable gross receipts in Ohio, or;
 - Have at least \$50,000 in property in Ohio, or;
 - Expend at least \$50,000 in payroll for work in Ohio, or;
 - Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or;
 - Are domiciled in Ohio.
- Personal Income Tax – Personal income is taxable in the States of Ohio, Illinois, Indiana, Kentucky, Pennsylvania, but general income is exempt from taxation in the State of Tennessee
- Sales and Use Tax – The States of Ohio, Illinois, Indiana, Kentucky, Pennsylvania, and Tennessee levy a sales and use tax

Columbus Region Logistics Council

Logistics Tax Comparison Study

Comparing the State of Ohio and the State of Illinois (Table 4)

(Revised 08-Feb-11)

Business Tax

	Ohio	Illinois
Corporate Income / Franchise Tax	STATE RATE: TAX ELIMINATED Local Rate: Permissive, with apportionment on sales at 60-percent, property at 20-percent, and payroll at 20-percent	State Rate: 7.0-percent, plus 2.5-percent personal property tax (Increased by 2.2-points beginning January 1, 2011); 100-percent sales apportionment; Net Loss Deduction (or N.O.L.) SUSPENDED for Tax Years 2011 through 2014 Local Rate: None
S-Corp, LLC, LP Income Tax	State / Local: See "Personal Income Tax" Below in "Talent / Workforce Tax"	State Rate: 1.5-percent for S-corps, partnerships, trusts Local Rate: None
Business Privilege Tax	State Rate: Net gross receipts, with export activities exempt; Rate of \$150, 0.26-percent of receipts over \$1 million Local Rate: None	<i>Ohio Revised Code 5751.01 requires the commercial activity tax is paid by all businesses that either: 1) Have at least \$500,000 in taxable gross receipts in Ohio, or; 2) Have at least \$50,000 in property in Ohio, or; 3) Expend at least \$50,000 in payroll for work in Ohio, or; 4) Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or; 5) Are domiciled in Ohio</i>
Capital Investment Sales Tax	State Rate: 5.5-percent Local Rate: Permissive Note: <i>The purchase of qualified manufacturing equipment is exempt under state law</i>	State Rate: 6.25-percent Local Rate: Permissive Note: <i>The purchase of qualified manufacturing equipment is exempt under state law</i>
Sales and Use Tax	State Rate: 5.5-percent Local Rate: Permissive	State Rate: 6.25-percent Local Rate: Permissive

Property Tax

	Ohio	Illinois
Personal Property Tax	STATE: TAX ELIMINATED LOCAL: TAX ELIMINATED	State Rate: No state tax <i>Note – The State of Illinois levies a 2.5-percent additional levy on net corporate income as a "replacement" tax to compensate for the elimination of the personal property tax</i> Local Rate: No state tax <i>Note – The City of Chicago has a variable personal property use tax as a substitute to a local property tax</i>
Real Property Tax	Tax Base: Tax on land, buildings, improvements; 35-percent assessment STATE RATE: NONE Local Rate: Permissive	Tax Base: Tax on land, buildings, and improvements; Variable assessment State Rate: None Local Rate: Permissive

Workforce / Talent Tax

	Ohio	Illinois
Personal Income Tax	State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800 Local Rate: Permissive	State Rate: 5.0-percent on net federal adjusted gross income (INCREASE by 2.0-points beginning January 1, 2011) Local Rate: None

Source: Commerce Clearing House, Federation of Tax Administrators, State Departments of Revenue, Taxation, and / or Commerce

Columbus Region Logistics Council

Logistics Tax Comparison Study

Comparing the State of Ohio and the State of Indiana (Table 5)

(Revised 08-Feb-11)

Business Tax

	Ohio	Indiana
Corporate Income / Franchise Tax	STATE RATE: TAX ELIMINATED Local Rate: Permissive, with apportionment on sales at 60-percent, property at 20-percent, and payroll at 20-percent	State Rate: 8.5-percent on net income, with apportionment on sales at 90-percent, property at 5-percent, and payroll at 5-percent Local Rate: Permissive
S-Corp, LLC, LP Tax	State / Local: See "Personal Income Tax" Below in "Talent / Workforce Tax"	See "Personal Income Tax" Below
Business Privilege Tax	State Rate: Net gross receipts, with export activities exempt; Rate of \$150, 0.26-percent of receipts over \$1 million Local Rate: None	Ohio Revised Code §5751.01 requires the commercial activity tax is paid by all businesses that either: 1) Have at least \$500,000 in taxable gross receipts in Ohio, or; 2) Have at least \$50,000 in property in Ohio, or; 3) Expend at least \$50,000 in payroll for work in Ohio, or; 4) Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or; 5) Are domiciled in Ohio
Capital Investment Sales Tax	State Rate: 5.5-percent Local Rate: Permissive Note: <i>The purchase of manufacturing equipment is exempt under state law</i>	State Rate: 7.0-percent Local Rate: None Note: <i>The purchase of manufacturing equipment is exempt under state law</i>
Sales and Use Tax	State Rate: 5.5-percent Local Rate: Permissive	State Rate: 7.0-percent Local Rate: Permissive

Property Tax

	Ohio	Indiana
General Business Personal Property Tax	STATE: TAX ELIMINATED LOCAL: TAX ELIMINATED	Tax Base: Classified personal property; Variable assessment dependent on property class; Inventories are exempt State Rate: 0.0024 per \$100 of market value Local Rate: Permissive
Real Property Tax	Tax Base: Tax on land, buildings, improvements; 35-percent assessment STATE RATE: NONE Local Rate: Permissive	Tax Base: Tax on land, buildings, improvements; 100-percent assessment State Rate: 0.0024 per \$100 of market value Local Rate: Permissive

Workforce / Talent Tax

	Ohio	Indiana
Personal Income Tax	State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800 Local Rate: Permissive	State Rate: 3.4-percent on federal adjusted gross income Local Rate: Permissive

Source: Commerce Clearing House, Federation of Tax Administrators, State Departments of Revenue, Taxation, and / or Commerce

Columbus Region Logistics Council

Logistics Tax Comparison Study

Comparing the State of Ohio and the State of Kentucky (Table 6)

(Revised 08-Feb-11)

Business Tax

	Ohio	Kentucky
Corporate Income / Franchise Tax	STATE RATE: TAX ELIMINATED Local Rate: Permissive, with apportionment on sales at 60-percent, property at 20-percent, and payroll at 20-percent	State Rate: Progressive, three brackets; Top rate of 6.0-percent on income over \$100,000; Double weight sales apportionment Local Rate: Permissive, set locally; Double weight sales apportionment
S-Corp, LLC, LP Tax	State / Local: See "Personal Income Tax" Below in "Talent / Workforce Tax"	See "Personal Income Tax"
Business Privilege Tax	State Rate: Net gross receipts, with export activities exempt; Rate of \$150, plus 0.26 percent of receipts over \$1 million Local Rate: None	<i>Note: Ohio Revised Code §5751.01 requires the commercial activity tax is paid by all businesses that either: 1) Have at least \$500,000 in taxable gross receipts in Ohio, or; 2) Have at least \$50,000 in property in Ohio, or; 3) Expend at least \$50,000 in payroll for work in Ohio, or; 4) Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or; 5) Are domiciled in Ohio</i>
Capital Investment Sales Tax	State Rate: 5.5-percent Local Rate: Permissive Note: <i>The purchase of manufacturing equipment is exempt under state law</i>	State Rate: 6.0-percent Local: None Note: <i>The purchase of manufacturing equipment is exempt under state law</i>
Sales and Use Tax	State Rate: 5.5-percent Local Rate: Permissive	State Rate: 6.5-percent Local Rate: Permissive

Property Tax

	Ohio	Kentucky
General Business Personal Property Tax	STATE: TAX ELIMINATED LOCAL: TAX ELIMINATED	Tax Base: Classified personal property; 100-percent assessment State Rate: Per \$100 of market value (<i>Manufacturing machinery = \$0.15; Business furniture = \$0.45; Inventory = \$0.05</i>) Local Rate: Permissive, set locally, per \$100 of market value
Real Property Tax	Tax Base: Tax on land, buildings, improvements; 35-percent assessment STATE RATE: NONE Local Rate: Permissive	Tax Base: Tax on land, buildings, and improvements; 100-percent assessment State Rate: \$0.120 per \$100 of market value Local Rate: Permissive, set locally, per \$100 of market value

Workforce / Talent Tax

	Ohio	Kentucky
Personal Income Tax	State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800 Local Rate: Permissive	State: Progressive, with 6 rate brackets; Top rate of 6.0-percent on federal adjusted gross income over \$75,000, net state exemptions and credits Local: Permissive

Source: Commerce Clearing House, Federation of Tax Administrators, State Departments of Revenue, Taxation, and / or Commerce

Columbus Region Logistics Council

Logistics Tax Comparison Study

Comparing the State of Ohio and the State of Pennsylvania (Table 7)

(Revised 08-Feb-11)

Business Tax

	Ohio	Pennsylvania
Corporate Income / Franchise Tax	STATE RATE: TAX ELIMINATED Local Rate: Permissive, with apportionment on sales at 60-percent, property at 20-percent, and payroll at 20-percent	State Rate: 9.99-percent, with apportionment on sales at 90-percent, property at 5-percent, and payroll at 5-percent Local Rate: Permissive
S-Corp, LLC, LP Income Tax	State / Local: See "Personal Income Tax" Below in "Talent / Workforce Tax"	See "Personal Income Tax"
Business Privilege Tax	State Rate: Net gross receipts, with export activities exempt; Rate of \$150, 0.26-percent of receipts over \$1 million Local Rate: None	<i>Note: Ohio Revised Code §5751.01 requires the commercial activity tax is paid by all businesses that either: 1) Have at least \$500,000 in taxable gross receipts in Ohio, or; 2) Have at least \$50,000 in property in Ohio, or; 3) Expend at least \$50,000 in payroll for work in Ohio, or; 4) Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or; 5) Are domiciled in Ohio</i>
Capital Investment Sales Tax	State Rate: 5.5-percent Local Rate: Permissive Note: <i>The purchase of manufacturing equipment is exempt under state law</i>	State Rate: 6.0-percent Local Rate: None Note: <i>The purchase of manufacturing equipment is exempt under state law</i>
Sales and Use Tax	State Rate: 5.5-percent Local Rate: Permissive	State Rate: 6.5-percent Local Rate: Permissive

Property Tax

	Ohio	Pennsylvania
General Business Personal Property Tax	STATE: TAX ELIMINATED LOCAL: TAX ELIMINATED	State and Local: Exempt from taxation
Real Property Tax	Tax Base: Tax on land, buildings, improvements; 35-percent assessment STATE RATE: NONE Local Rate: Permissive	Tax Base: Tax on land, buildings, and improvements; 70.5-percent assessment State: No state property tax Local Rate: Permissive

Workforce / Talent Tax

	Ohio	Pennsylvania
Personal Income Tax	State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800 Local Rate: Permissive	State Rate: 3.07-percent on earned income Local Rate: Permissive

Source: Commerce Clearing House, Federation of Tax Administrators, State Departments of Revenue, Taxation, and / or Commerce

Columbus Region Logistics Council

Logistics Tax Comparison Study

Comparing the State of Ohio and the State of Tennessee (Table 8)

(Revised 08-Feb-11)

Business Tax

	Ohio	Tennessee
Corporate Income / Franchise Tax	STATE RATE: TAX ELIMINATED Local Rate: Permissive, with apportionment on sales at 60-percent, property at 20-percent, and payroll at 20-percent	State Rate: 6.5-percent on net earnings, PLUS \$0.25 per \$100 of net worth OR total property value; Double weight sales apportionment Local Rate: Permissive
S-Corp, LLC, LP Income Tax	State / Local: See "Personal Income Tax" Below in "Talent / Workforce Tax"	State / Local: Variable, dependent on classification of taxpayer
Business Privilege Tax	State Rate: Net gross receipts, with export activities exempt; Rate of \$150, plus 0.26 percent of receipts over \$1 million Local Rate: None	<i>Ohio Revised Code 5751.01 requires the commercial activity tax is paid by all businesses that either: 1) Have at least \$500,000 in taxable gross receipts in Ohio, or; 2) Have at least \$50,000 in property in Ohio, or; 3) Expend at least \$50,000 in payroll for work in Ohio, or; 4) Have at least 25 percent of their total property, payroll, or gross receipts in Ohio, or; 5) Are domiciled in Ohio</i>
Capital Investment Sales Tax	State Rate: 5.5-percent Local Rate: Permissive Note: <i>The purchase of manufacturing equipment is exempt under state law</i>	State Rate: 7.0-percent Local Rate: Permissive Note: <i>The purchase of manufacturing equipment is exempt under state law</i>
Sales and Use Tax	State Rate: 5.5-percent Local Rate: Permissive	State Rate: 6.5-percent Local Rate: Permissive

Property Tax

	Ohio	Tennessee
Personal Property Tax	STATE: TAX ELIMINATED LOCAL: TAX ELIMINATED	Tax Base: Personal property taxable, with inventories exempt; 30-percent assessment State Rate: None Local Rate: Permissive
Real Property Tax	Tax Base: Tax on land, buildings, improvements; 35-percent assessment STATE RATE: NONE Local Rate: Permissive	Tax Base: Tax on land, buildings, and improvements; 40-percent assessment State Rate: None Local Rate: Permissive

Workforce / Talent Tax

	Ohio	Tennessee
Personal Income Tax	State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800 Local Rate: Permissive	State Rate: No direct state tax; 6.0-percent tax on interest and dividends Local Rate: None

Source: Commerce Clearing House, Federation of Tax Administrators, State Departments of Revenue, Taxation, and / or Commerce

Columbus Region Logistics Council Logistics Tax Comparison Study

Ohio Tax Reform – A Brief Summary

A brief summary description of state and local tax reforms as mandated by Substitute Amended House Bill 66 (126th General Assembly)

Columbus Region Logistics Council

Logistics Tax Comparison Study

Ohio Tax Reform – A Brief Summary

(Revised 29-Nov-10)

Ohio Tax Reform

Ohio has reformed its tax system to eliminate taxes on capital investments, profits and wealth. In its place, Ohio has created a low-rate, broad-based tax system that includes:

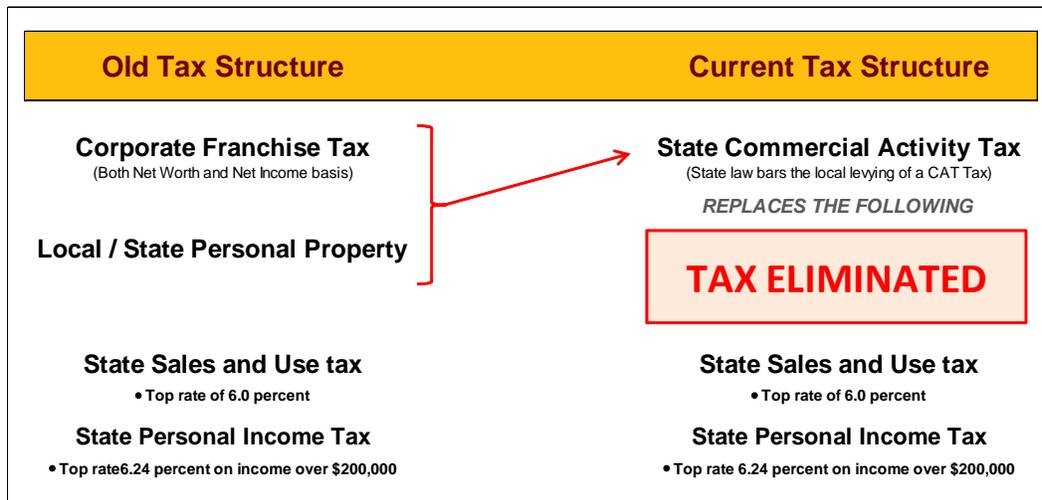
- **Eliminated** corporate income and tangible personal property tax
- **Lowest** capital investment tax rate in the Midwest region of the United States
- **Lowest** per capita state tax burden than any of its neighboring states
- **No taxes** on gross receipts to sales made and/or shipped outside of the state
- **Reduced** state income taxes for all taxpayers by 16.8 percent over 4 years

The results provide greater incentives to invest in innovation and productivity. In Ohio, your company will flourish by manufacturing components and exporting products to the Midwest and East Coast markets – **all in Ohio’s low-tax business climate.**

Figure 7

Ohio Tax Reform – Major Tax Structure Changes

(Revised 29-Nov-10)



Source: Ohio Department of Taxation, Ohio Department of Development, Commerce Clearing House; "Ohio Tax Reform" as contained in Amended Substitute House Bill Number 66, 126th General Assembly, amended by House Bill 318, 128th General Assembly - Revised 11/29/2010 3:34 PM

Columbus Region Logistics Council

Logistics Tax Comparison Study

Ohio Tax Reform – A Brief Summary (*Continued*)

(Revised 29-Nov-10)

Tangible Personal Property Tax

The personal property tax - a tax on physical property used in manufacturing or service-based businesses - was a revenue source utilized to fund a wide variety of governmental activities. However, this tax was widely viewed as a disincentive to capital investment and, as a result, was a roadblock to increases in personal and business productivity, income growth, and job creation in Ohio. The Ohio tax reform plan eliminated tax on general business personal property

Corporate Franchise Tax

The corporate franchise tax (CFT) – an excise tax on a corporation’s net income, or “book value of assets” – was, at one time, known as a fair, practical source of revenue for state and certain local governments. However, over the course of fifty-years, structural changes in the state’s economy combined with the proliferation of legal tax planning techniques has transformed the corporate franchise tax into a revenue source that was unproductive and inequitable with a high top marginal rate, a low rate of revenue collection, and numerous exceptions, exemptions, and tax credits. The Ohio tax reform plan eliminated the corporate franchise tax.

Personal Income Tax

The state personal income tax - an adjusted net income tax on individuals, small businesses, estates, and trusts - was first enacted in 1971 as a state revenue source, with a rate schedule of six brackets, with a bottom rate of 1.0 percent on income under \$5,000 and a top rate of 3.5 percent on income over \$40,000. By 2005, this rate schedule had grown to encompass nine brackets, with a bottom rate of 0.712 percent on income under \$5,000 and a top rate of 7.5 percent on income over \$200,000. The tax reform plan mandates a reduction and restructuring of the state’s personal income tax. The main feature of the Ohio tax reform plan is a 16.8 percent reduction in the Ohio income tax rate schedule. This reduction resulted in a new top rate of 6.240 percent, which is a 16.8 percent reduction from the former top rate of 7.5 percent.

Commercial Activity Tax

The Ohio tax reform plan implemented a new business tax to help replace forgone state and local revenue resulting from the elimination of the tangible personal property tax on general businesses. This tax – the commercial activity tax, or CAT– is an annual tax on the net gross receipts of a businesses’ activity within the state of Ohio. The Ohio CAT possesses a low rate (*0.26 percent of gross receipts*), a broad base (*corporations and small business*), and limited exemptions/credits (*only four tax credits*). As designed and structured, the CAT will not unfairly shift the tax burden to either businesses or individuals or unduly burden any one business sector or size of business within the state.

Columbus Region Logistics Council

Logistics Tax Comparison Study

Table 9

Ohio Tax Reform – Tax Matrix, Changes to State and Local Tax Structure
(Revised 29-Nov-10)

Business Tax

	Old Tax Structure	Current Tax Structure
Corporate Income / Franchise Tax	<p>State Rate: 5.1 percent to 8.5 percent on net income or 4.0 mills of net worth; Three-factor apportionment (Sales=60 percent; Property=20 percent; Payroll=20 percent)</p> <p>Local Rate: Permissive, set locally; Three factor apportionment (Sales=60 percent; Property=20 percent; Payroll=20 percent)</p>	<p>STATE TAX ELIMINATED</p> <p>Local Rate: No Change</p>
S-Corp, LLC, LP Tax	<p>State / Local: See “Personal Income Tax” Below in “Talent / Workforce Tax”</p>	<p>State / Local: See “Personal Income Tax” in “Talent / Workforce Tax”; See “Business Privilege Tax” below</p>
Business Privilege Tax	<p>State / Local: N / A</p>	<p>State Rate: Net gross receipts, with export activities exempt; Rate of \$150, plus 0.26 percent of receipts over \$1 million</p> <p>Local Rate: None – state law forbids the implementation of a local gross receipts tax</p>
Sales and Use Tax (i.e., a Capital Investment Tax)	<p>State Rate: Rate of 6.0 percent; Manufacturing equipment exempt</p> <p>Local Rate: Permissive, set locally, with the purchase of manufacturing equipment exempt</p>	<p>State Rate: Reduce state tax rate by 0.5 points, from 6.0 to 5.5 percent; Manufacturing equipment exempt</p> <p>Local Rate: No Change</p>

Property Tax

	Old Tax Structure	Current Tax Structure
Personal Property Tax	<p>Tax Base: Classified personal property; Variable assessment dependent on property class; Inventories are exempt</p> <p>State Rate: No state property tax</p> <p>Local Rate: Permissive, set locally unless exempt by law</p>	<p>STATE TAX ELIMINATED</p> <p>LOCAL TAX ELIMINATED</p>
Real Property Tax	<p>Tax Base: Tax on land, buildings, and improvements; 35 percent assessment</p> <p>State Rate: No state property tax</p> <p>Local Rate: Permissive, set locally</p>	<p>Tax Base: No Change</p> <p>State Rate: No general change: Business property tax rollback eliminated</p> <p>Local Rate: No Change</p>

Talent / Workforce Tax

	Old Tax Structure	Current Tax Structure
Personal Income Tax	<p>State Rate: Progressive, with 9 brackets; Top rate of 7.5 percent on income over \$200,000</p> <p>Local Rate: Permissive; Rate set locally</p>	<p>State Rate: Progressive, with 7 effective brackets; Top rate of 5.925-percent on federal adjusted gross income over \$201,800, net state exemptions and credits</p> <p>Local Rate: No Change</p>

Source: Ohio Department of Development, Commerce Clearing House, and State Departments of Revenue or Taxation

This analysis is based on information gathered from various public information sources. Every effort has been taken to verify that the information used in the preparation of this analysis is accurate in all material respects. It is recommended that use of this information only be a guide to assist in any information-gathering process. It is further recommended that specific company issues be referred to legal and tax advisors, who may conduct an independent analysis to assure that the information, calculations, and assumptions utilized and referenced herein are accurate and relevant.

Ohio Department of Development / Policy, Planning, and Strategic Research, D08/21/2008