

Ohio's New Business-Friendly Tax Structure

Ohio development officials say a new tax system makes the state the perfect location for businesses looking to relocate or expand and proves that "Ohio Means Business." "Our tax reform is the latest in a series of strategic steps we have taken to improve Ohio's business climate," says Lt. Gov. Bruce Johnson, who also serves as state's development director. "The improvements to our business climate, coupled with Ohio's premiere location and first-rate workforce make Ohio the best place in North America to grow a business." The plan, which became effective July 1, eliminates Ohio's corporate franchise, or "profits-based" tax; eliminates the tangible personal property tax on machinery and equipment, inventory, and furniture and fixtures; and reduces Ohio's personal income tax by 21 percent. In addition to helping reduce labor cost, the personal income tax reduction benefits the more than half million small businesses and sole proprietorships that file via the Ohio personal income tax. Ohio's new system of taxation will be based on gross receipts of goods destined for Ohio, instead of profits. The system, referred to as the Commercial Activities Tax, is particularly beneficial to manufacturers, small business and exporters. It applies only to receipts more than \$1 million, only to goods and services whose destination is within Ohio, and is an extremely low rate at 0.26 percent. It reduces the burden on manufacturers because it applies to all sectors of Ohio's economy, as well as to companies located outside Ohio that sell into Ohio. The plan will be phased in across five years, but new machinery and equipment purchased after July 1 will be exempt from personal property tax. For more details, visit www.connectohio.com.