

## BUSINESS TAXES ....

### OHIO MAJOR BUSINESS TAXES

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**COMMERCIAL ACTIVITY TAX (CAT)** - This tax replaced the Corporation Franchise Tax which was phased out over the last five years. Most companies doing business in Ohio will be subject to the commercial activity tax, a broad-based, low rate business privilege tax measured by gross receipts. The CAT is levied at a rate of 0.26% on gross receipts in excess of one million dollars. Businesses with receipts of \$150,000-\$1 million will pay a minimum tax of \$150. Businesses with receipts of less than \$150,000 are not subject to the CAT. Note- Tax only applies to sales in Ohio. Sales outside of Ohio are exempt.

*For more information about the CAT - contact the Ohio Department of Taxation at 1-888-7-CATTAX. or visit [www.tax.ohio.gov](http://www.tax.ohio.gov).*

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**TANGIBLE PERSONAL PROPERTY TAX** - Ohio has eliminated its Tangible Personal Property Tax and no longer imposes this tax on business furniture & fixtures, machinery & equipment, or inventory.

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**REAL PROPERTY TAX** - Real estate is assessed at 35 percent of market value, the tax rates vary by location.

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**INDIVIDUAL INCOME TAX** - Every Ohio resident, as well as non-residents having Ohio-sourced income, is subject to the Ohio Income Tax . The tax is varied and based on an income schedule. Some cities and villages in Mahoning, Trumbull and Columbiana Counties also levy an income tax on wages, salaries, and other compensation received by residents of the municipality and by nonresidents working in the municipality; and business income resulting from activities in the municipality. Rates vary according to specific locale, but range between 0% and 2.75%.

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**SALES AND USE TAX** - A state rate of 5.5 percent applies to retail sales and rental of tangible personal property. Counties and regional transit authorities may levy additional sales taxes, which vary from county to county: Trumbull (6.5%), Mahoning (6.75%), Columbiana (7.0%). A state and local sales tax rate map is available through the Ohio Department of Taxation. The state also requires many service businesses to collect and remit sales tax. A brochure, Vendors: Sales Tax Laws in Ohio, details applicable businesses and procedures.

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**UNEMPLOYMENT COMPENSATION CONTRIBUTIONS** - Employers must make contributions on the first \$9,000 of each covered employee's wages. The contribution rate for new employers is 2.7%, except for those engaged in the construction industry, who pay 5.8%. Employers pay this rate until they qualify for an "experience rate". Experience rates vary yearly, but ranged from 0.5% to 9.4% for 2010.

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**WORKERS' COMPENSATION PREMIUMS** - All employers make premium payments unless they qualify as self-insurers. Rates based on the hazards involved vary by industry classification.

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**MOTOR VEHICLE FUEL USE** - A tax levied on the difference between the fuel purchased and that consumed in Ohio by vehicles with three or more axles, the flat charge is \$.28 per gallon consumed in Ohio.

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**MOTOR VEHICLE LICENSE** - Commercial vehicles pay a prorated tax based on the ratio of mileage traveled in Ohio to total mileage. The tax is based on gross weight of the vehicle and it ranges from \$56 for 2,000 pounds to \$1,351 for those in excess of 78,000 pounds.

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## BUSINESS INCENTIVES....

Lucrative project incentives are available to qualifying manufacturing firms that are expanding or locating in metropolitan Youngstown-Warren, Ohio. The Regional Chamber will work with you to determine eligibility for, explain and help secure applicable incentive programs highlighted below:

**Enterprise Zones (EZ):** Enterprise Zones have been established in metropolitan Youngstown-Warren, Ohio. Companies that locate in an EZ could be eligible for tax abatements on investments in real property (i.e. building, construction, expansion, renovation). The maximum allowable tax abatement in cities and villages, is 75 percent (over 75 percent requires school board approval) and 60 percent in other communities (over 60 percent requires school board approval). The maximum abatement term is 10 years (15 years with school board approval).

**Foreign Trade Zone (FTZ) 181:** FTZ 181 has been established at various locations in metropolitan Youngstown-Warren Ohio. In order to promote international trade, FTZ 181 can delay, reduce or eliminate customs duties levied on raw materials, parts, components or finished products imported from other countries.

**Community Reinvestment Area (CRA):** Community Reinvestment Areas are located in designated parts of metropolitan Youngstown-Warren, Ohio. CRAs provide real-property tax exemptions for companies constructing or renovating a facility. Up to 100 percent of the value of building improvements/ construction may be exempt from real property taxes for a maximum 15 years.

**Ohio Job Creation Tax Credit (JCTC):** A refundable Commercial Activity Tax credit based the percentage of state income tax paid by new employees is available for businesses that expand or locate in Ohio. The maximum rate and term of the credit is 75% for 10 years. Approved projects generally range from 30-50% for three to six years. Rate and term exceptions occur only at the recommendation of state officials. The JCTC requires that a business create at least 25 new full-time positions with average wages for all new employees at least 150 percent of the federal minimum wage. Special eligibility provisions apply for companies that create as few as 10 new full time jobs.

**Manufacturing Machinery & Equipment Sales Tax Exemption:** Machinery, equipment, supplies and fuel purchased and used primarily in a manufacturing operation to produce tangible personal property for sales are exempt from state and county sales tax.

**Warehouse Machinery & Equipment Sales Tax Exemption:** Eligible warehousing equipment, including machinery and equipment used primarily in storing, transporting, mailing or handling inventory in a warehouse or distribution center is exempt from state and county sales tax as long as the inventory handled by the facility is 1) primarily distributed outside Ohio to retail stores owned by the business or affiliated group that owns the Ohio facility or 2) distributed by means of direct marketing.

**Research and Development Sales Tax Exemption:** Provides an exemption from state and county sales tax for companies that purchase equipment for research and development activities.

**Low Interest Loans:** State and federal programs provide loans for the acquisition of land, structures, new construction, facility renovation or expansion and the purchase of machinery and equipment. Interest rates are typically below bank levels and the programs allow greater debt leverage / less cash equity. Most programs require bank and owner equity participation and specify minimum public funds/jobs ratios. Other requirements may include payment of Prevailing Wage Rates for construction and/or equipment installation. Select program examples include:

**GrowNOW Small Business Linked Deposit Program:** This interest rate reduction program is designed to help small businesses grown by providing them with critical cash flow. When a business is approved for a loan from an eligible bank, GrowNOW provides an additional 3% discount on the loan's already-negotiated interest rate, when the loan is linked to creating or saving jobs in Ohio.

## BUSINESS INCENTIVES....

**Direct (166) Loan Program:** This state sponsored program provides loans for land and building acquisition, expansion and renovation and the purchase of machinery and equipment. The borrower must create one job for every \$15,000 received, \$35,000 in Priority Investment Areas, e.g. the cities of Youngstown, Campbell, Struthers and Warren. The loan may range from \$350,000 to \$ 1million.

**166 Regional Loan Program:** This program provides loans for land and building acquisition, expansion and renovation and the purchase of machinery and equipment. The borrower must create one job for every \$35,000 received, up to the maximum loan amount of \$350,000.

**Tax-Exempt Industrial Revenue Bonds (IRB):** Small issue industrial revenue bonds can be used for manufacturing purposes. Funding is available for land and building acquisition, construction, expansion or renovation, and equipment purchase. The bonds are issued by public entities on behalf of private, for-profit companies. Interest earned by the bond buyers is exempt from federal (and some state) income tax.

**SBA 504 Direct Loan Program:** This federal program provides fixed rate, second mortgage financing for real estate (land, building, construction/renovation) and machinery and equipment. The borrower must create one new job within 3-years for every \$35,000 received. The maximum loan is typically \$1 million. Real estate loans are 20-year and machinery/equipment loans are 10-year. Bank participation and cash equity from the owner are required.

**Revolving Loan Funds (RLF):** Counties, cities and some villages and townships have local revolving loan funds. While rates and terms vary, these programs typically provide fixed rate, subordinated loans for real property, machinery and equipment, and furniture, fixtures and equipment. Most require the borrower to create one new job for every \$10,000 to \$15,000 of funding.

**USDA Business & Industry Loan Guarantees** – The USDA can guarantee quality loans involving manufacturing, wholesale, retail and services as long as the project involves creation and/or saving of jobs. The purpose need not be agriculturally related. Eligibility based on location of project.

**Ohio Workforce Guarantee Program** – supports companies making investments in facilities, equipment and training by providing direct financial support for eligible tuition and training costs.

**Ohio One Stop Workforce Centers** – One-Stop Centers offer assessment services including identifying and screening employees; on and off-site training programs; and administers grants for incumbent workers, targeted industries and on-the-job training.

**Public Infrastructure Support:** For projects requiring improvements to public roads and/or water/sewer lines, partial or full funding through various grant programs may be available. The amount is typically based on the jobs created by a project. On-site improvements can be funded if they are designated to be public infrastructure. Private infrastructure improvements can be funded through previously noted loan programs.

**Sales Tax Exemption on Building Materials combined with On/Off Balance Sheet Leasing:** Working with the Western Reserve Port Authority can exempt projects from Ohio sales tax on building materials. The port authority owns and leases the facility to the company on a fully net basis - as either a capital lease or an off-balance sheet transaction - based on the company's underlying financial strength. The company is responsible for facility design/construction and operations/ maintenance. Other financing and tax incentives can flow-through the port authority to benefit the company, and the company can still utilize a private sector real estate developer/owner/lessor if it so chooses.

## ECONOMIC DEVELOPMENT SERVICES ....

From small companies to multi-national corporations, the Regional Chamber's Economic Development Action Team has helped more than 400 firms and organizations make new investments totaling \$2.6 billion. These projects have created over 18,500 new jobs and caused 17 million square feet of building space to be constructed or absorbed.

### ***Incentives and Financing***

Aggressive incentive programs provide assistance to businesses moving here as well as to those that now call the area home. We will explain and help you secure the following:

- Tax Incentives
- Ohio eliminated its tax on personal property manufacturing machinery and equipment, furniture and fixtures, and inventory.
- Real Property Tax Abatements
- Credits for job creation, retention and training, and making investments in technology/research and development.
- Sales tax exemptions for manufacturing and warehouse machinery and equipment, and research and development purchases.
- Low Interest Financing for land, buildings construction/renovation, machinery, equipment, furniture and fixtures.
- Grants/Funding for workforce training and public infrastructure improvements.

### ***Manufacturing Technical Services and Assistance***

Through our partnership with MAGNET\*, we can help you with:

- Production Innovation and Development
- Process Improvement
- Lean Manufacturing Techniques

Through our International Economic Development Program and our collaboration with NEOTEC's International Trade Assistance Center (ITAC)\*, we can help you:

- Increase international sales or sourcing opportunities
- Utilize Foreign Trade Zones
- Develop export compliance and international trade plans.

\*MAGNET is Northeast Ohio's Manufacturing Advocacy and Growth Network. NEOTEC is Northeast Ohio Trade & Economic Consortium.

### ***Land and Buildings***

We offer an on-line database of available buildings and sites that provides you with in-depth property data and visual information. Property profiles can be downloaded, printed and/or emailed to interested parties.

- The Regional Chamber also identifies Shovel Ready Sites. Online information details these ready-to-go land sites that offer all utilities, exceptional infrastructure access and parcels appropriately zoned for industrial, distribution and high-tech/back-office operations.
- Confidential Site and building tours can be arranged at your request

### ***Strategic Information***

Our online database will provide you with up-to-date regional data on:

- Incentive Programs and Ohio Business Taxes
- Demographics
- Economic Data/Indicators/Area Employers
- Local Starting Wages & Benefits
- Project Permitting
- Regional Education and Quality of Life

### ***Your Connection***

We are your link to key officials:

Working directly with federal, state and local government officials/agencies - advocating on your behalf - to get your project done.

Metropolitan Tower  
11 Federal Plaza Central Suite 1600  
Youngstown, OH 44503-1592  
Phone: 330-744-2131 Fax: 330-746-0330

Regional Chamber Building  
197 West Market Street  
Warren, OH 44481-1024  
Phone: 330-392-6140 Fax: 330-746-0330

Development@regionalchamber.com  
www.regionalchamber.com