

Taxes

Tax money is distributed to townships through the collection of inside millage, levies, motor and lodging taxes. Townships are primarily funded through property taxes levied on real property within the township.

Inside Millage- The Ohio Constitution prohibits taxes on property in excess of 1% of true value without voter approval (Article XII, Section 2). Actual implementation of this amendment involved the creation of a statutory limit of ten mills. Apportionment of those ten mills followed a formula by which each local government received two-thirds of the taxes allowed to it under a previous system. Townships usually have somewhere between 1 and 2 1/2 unvoted mills. Generally, unvoted mills are used for general fund purposes. Some townships have divided the millage into two funds: general fund and road and bridge fund.

Levies – When a board of township trustees votes to collect revenue in excess of the ten mill limitation, a levy must be put before the residents of the township for a vote. Ohio Revised Code Section 5705.19 lists all of the different purposes for which a township may levy a tax in excess of the ten mill limitation.

Pass along taxes, such as the motor vehicle license tax or the hotel bed tax, may be implemented by a majority vote of the board of township trustees but both are subject to referendum by township residents.

Lodging Tax – Ohio Revised Code §5739.08 permits a township to levy an excise tax up to 3% on guests that stay at a lodging facility located within the township. The revenue received from this specific lodging tax may be placed in a township's general fund for use on any lawful township purpose. In addition, townships may impose an "additional" lodging excise tax of up to 3% under authority granted by ORC §5739.09(B)(1); however, this "additional" tax may not be imposed if the county has already imposed a lodging tax under authority provided by ORC §5739.09(A)(1).

Fixed Funding

Fixed funding, for purposes of this information, are monies the Ohio Revised Code provides the authority for townships to collect. They require a limited amount of work on the township's part. These funds include the Local Government Fund, motor vehicle license fees, gasoline tax, TPP reimbursement, public utility taxes, the estate tax, solid waste and C&DD host community fees, cigarette license and liquor permit fees.

Local Government Fund (LGF) – Ohio's Local Government Fund (LGF) was established by the General Assembly in 1934. The LGF was created during the peak of the Great Depression, when many local governments were experiencing severe financial difficulties. The LGF has undergone many changes since its inception, but the basic elements of the program have remained constant over the years: a designated portion of state revenues (currently 3.68% of the state's

general revenue fund) are deposited into the LGF; a formula is used to allocate the monies to the county undivided local government fund in each Ohio county; and county budget commissions authorize and determine the distribution to local governments. Townships use this money to offset operational costs and fund unfunded mandates.

Motor Vehicle License Fee – The state imposes several motor vehicle license fees upon owners of motor vehicles. The revenue the state receives from these various fees are collected and credited to the state’s auto registration distribution fund. The state creates an account for each county and district of registration of the state, including townships. Of the total amount collected and deposited into the fund, notwithstanding some prohibitions listed in ORC §4501.03, 5% is distributed to townships. The township pot is divided based on a percentage of the total number of miles of township roads in the state and the township’s number of miles of road maintained.

Gasoline Tax – The General Assembly adopted the first gasoline tax in 1925. The revenue collected from the tax is apportioned to state agencies and for use by counties, municipalities and townships. The tax is actually comprised of five separate statutory levies that have been enacted over the years. Townships receive a portion of proceeds from three of the five motor fuel tax levies. All told, townships receive about 1.9 cents or 6.8% of the total 28 cents per gallon motor fuel tax to maintain the 41,387 miles of township roads. The Ohio Constitution and state law require that any revenue received from any of the gasoline taxes be used only for expenditures on roads and bridges.

Tangible Personal Property Tax Reimbursement – Although phased out for most taxpayers in 2009, the tax base of tangible personal property (TPP) is property located and used in business in Ohio, including machinery, equipment and inventories. Telephone companies and internet exchange telecommunications companies will continue to pay TPP taxes through tax year 2010. Townships are reimbursed for the loss of tax revenue due to the elimination of the TPP tax. Replacement payments are based on levies approved prior to Sept. 1, 2005 and TPP values that existed as of Aug. 31, 2005. As township revenues have decreased since 2005, replacement payments have increased in order to hold townships “harmless” on qualifying levies through FY2011. Replacement payments to townships will begin to decline in FY 2012 until FY 2018 (FY 2019 for telephone property), when townships will receive no replacement payments.

Estate Tax – Estates of Ohio residents with a net taxable value over \$338,333 are subject to the state’s estate tax law. Townships receive 80% of the revenue generated from the estate tax, while the remaining 20% is deposited into the state’s general revenue fund. Townships use this revenue for capital investments such as new road or fire vehicles or improvements to a township building or park. Funds are also used to maintain a quality level of basic governmental services such as road repair, police, fire and emergency medical services.

Kilowatt Hour & Natural Gas Distribution Taxes - These taxes were created to replace revenues lost due to tax changes made by Senate Bill 3 & Senate Bill 287 (123rd General Assembly). Since 2002, townships have received “replacement” revenues in the form of

payments from this tax. The kWh and Mcf taxes were originally designed to generate the amount of money that was “lost” due to other tax changes made by SB 3 & SB 287. The amount of money needed to replace the revenue that townships lost was deposited into the Local Replacement Fund. Initially, the amount distributed to each township was based solely on the amount of money that each lost due to tax changes made by the two bills. Since 2007, these “direct replacement” payments have begun to be phased-out and will continue until 2016, after which time these payments will be eliminated. At the same time, while replacement payments are starting to phase out, a new distribution method is being phased in. Starting in August 2007 townships began to receive distributions of “surplus” revenues, which is the amount of money left over in the Local Replacement Fund after the payments have been made but the distribution is based on a different formula. In 2017, townships will receive revenue from the Local Replacement Fund based solely on the new formula.

Cigarette License Fee – Ohio levies a charge on every person desiring to engage in the wholesale or retail business of trafficking in cigarettes. The township in which the charge originates shall receive 37.5% of the total wholesaler fees and 62.5% of the total retailer fees.

Liquor Permit Fee – Similar to the cigarette tax, a township that has liquor permit establishments located within the unincorporated territory are entitled to receive 35% of the undivided liquor permit fund, which is comprised of all liquor permit fees, except B-2a and S permit fees from B-2a and S permit holders who do not also hold A-2 permits.