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Ohio Rolls Out Consumer's Use Tax Education Program

Overview

In an effort to increase consumer's use tax compliance, the Ohio Department of Taxation (Department) has begun a Use Tax Education Program (UTEP) to inform taxpayers of their obligation to remit use tax on untaxed purchase transactions. The Department estimates it will contact 380,000 small and mid-size businesses in regards to their potential use tax liability.

Understanding Use Tax

Consumer's use tax is a complement to the sales tax. All tangible personal property stored, used, or consumed in Ohio in addition to certain taxable services used in Ohio are subject to Ohio use tax unless:

(1) Ohio sales tax has been paid; or
(2) An exception or exemption applies.

Example: A business purchases a computer from an out-of-state vendor which is not obligated to be registered in Ohio for sales tax. The vendor did not charge the business sales tax on the purchase. It is then the businesses responsibility to remit use tax on the purchase of the computer.

Program Timeline

First Half 2011

- The Department will give presentations, seminars, and workshops related to use tax.

Second Half 2011

- The Department will:
  (1) Identify businesses that are registered for another tax, but are not registered for use tax; and
  (2) Identify businesses that are not registered for another tax but should be registered for use tax.

These businesses will subsequently be contacted by the Department and will be able to register and begin remitting consumer's use tax on future purchase transactions.

UTEP Agreement

Businesses with past use tax liability will be able to enter into an UTEP agreement. Generally, the terms of the UTEP agreement will be as follows:

- The business agrees to register and prospectively remit use tax
- The business agrees to pay use tax plus interest on untaxed purchases for the last four years
- Use tax liability beyond the four year look back period will be waived by the Department (absent fraud)
- The department agrees to waive the 15% penalty.

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Voluntary Disclosure Agreement
If a business is currently unregistered and is aware of a past consumer's use tax liability, it may still enter into a Voluntary Disclosure Agreement prior to being contacted by the Department. The look back period under a Voluntary Disclosure Agreement is typically three years. However, once a business has been contacted by the Department, the terms of any agreement will be governed by UTEP (providing for a four year look back period).

Current Audit Procedures
By law if a business is contacted by the Department for an audit prior to the UTEP program, the business may have up to a ten year look back period. The Department's usual practice is to apply a **seven year** look back period.

Action Items
If your business is currently unregistered for consumer's use tax or contacted by the Department, GBQ SALT professionals are available to assist in understanding the potential liability and the effects it may have on your business.

For more information, please contact:

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