

Tax Analysis -- Hypothetical Case Study: Manufacturing

Estimated Impact of Tax Reform Plan on a "Hypothetical" Manufacturer Classified as C-Corp, in Total Dollars, Before and After **FULL IMPLEMENTATION** of Tax Reform Measures Contained in Amended Substitute House Bill 66.

DOES NOT consider Application of State and Local Incentives

Hypothetical Case Study: A manufacturer, with gross receipts of \$100 million per year (of which 10-percent occurred in Ohio) earned a profit of \$10 million last year. Their current facility possesses a total market value of approximately \$85.0 million (Real property of \$33.0 million; Tangible Personal Property of \$52.0 million) with a gross tax rate of 67.3933 and a Class 2 tax rate of 50.7522 mills. BEFORE June 30, 2005, the combined total tax liability for this manufacturer and its workforce (200 employees; 180 blue-collar workers @ \$16.11 per hour; 20 White-collar workers @ 25.00 per hour) is approximately \$1.8 million, of which \$0.87 million is the tax due on tangible personal property. AFTER July 1, 2010 (i.e., after completion of the five-year phase-in of the tax reform plan), this manufacturer and its workforce will have a total combined tax liability of approximately \$0.79 million.

As of January 1, 2005, investments in manufacturing machinery and equipment are not placed on the tax rolls. Thus over the five-year phase-out of the tangible personal property tax this manufacturer will see a cumulative tax savings approaching \$4.3 million attributable to just that single tax phase-out. After full implementation of the five-year phase-in of Ohio's tax reform plan, this manufacturer and its workforce could see an approximate annual one-year tax savings of OVER \$1 million.

	Market Base	Adjustment Factor(s)	Tax, or Assessed, Value Base	Tax Liability		Net Change in Tax Liability
				BEFORE June 30, 2005	AFTER July 1, 2010	
Current Tax Structure						
Real Property (a.k.a. RP)						
Land and Building	\$33,000,000	35.0%	\$11,550,000	\$527,569	\$586,187	\$58,619
Tangible Personal Property Tax (a.k.a. TPP)						
Manufacturing Machinery and Equipment	\$44,200,000	25.0%	\$11,050,000	\$744,471	\$0	(\$744,471)
Manufacturers' Inventory	\$2,600,000	23.0%	\$598,000	\$40,077	\$0	(\$40,077)
Furniture, Fixtures, and All Other Inventory	\$5,200,000	25.0%	\$1,300,000	\$87,387	\$0	(\$87,387)
Total: TPP	\$52,000,000		\$12,948,000	\$871,934	\$0	(\$871,934)
Personal Income Tax (a.k.a. PIT: State Tax ONLY)	\$7,070,000			\$227,775	\$179,946	(\$47,830)
Corporate Franchise Tax (a.k.a. CFT)	\$6,000,000	46.0%	\$2,760,000	\$232,900	\$0	(\$232,900)
Total	\$98,070,000		\$27,258,000	\$1,860,178	\$766,133	(\$1,094,045)
New Tax						
Corporate Activities Tax (a.k.a. CAT Tax)	\$100,000,000	10.0%	\$10,000,000	\$0	\$23,550	\$23,550
Net Tax Burden				\$1,860,178	\$789,683	(\$1,070,495)

Data Source: Applicable tax rates from the Ohio Department of Taxation; Other data from the Economic Development Division of the Ohio Department of Development.

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. (ODOD / OSR - 02/23/2005)