



Ohio Department of Taxation FAQs - Sales & Use Tax: Applying the Tax

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1. What is a taxable sale?

A taxable sale includes any transaction in which title or possession of tangible personal property or the benefit of certain services is, or will be, transferred or provided for a price. All retail sales are subject to the tax unless they are specifically excepted or exempted in Ohio's sales tax law.

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2. What sales are exempt/excepted from sales tax?

- Copyrighted motion picture films for exhibition purposes unless solely used for advertising. The rental or sale of films or tapes to individuals is taxable.
- The refundable deposit paid on returnable beverage containers, cartons, and cases.
- Food for human consumption off the premises where sold (food does not include alcoholic beverages, dietary supplements, soft drinks, or tobacco).
- Food sold to students in a dormitory, school cafeteria, fraternity or sorority house.

- Food served without charge to employees as part of their compensation.
- Items purchased with food stamps.
- Newspapers (including community newspapers and national newspapers, such as the Wall Street Journal, USA Today, and other unbound publications.).
- Magazine subscriptions.
- Sales by churches and nonprofit charitable organizations (excluding sales of motor vehicles, titled watercraft, titled outboard motors, off-highway motorcycles, all-purpose vehicles and personal watercraft) not exceeding six days in any calendar year.
- Sales to nonprofit organizations operated exclusively in Ohio for certain charitable purposes as defined in sales tax law as follows: "Charitable purposes" means the relief of poverty; the improvement of health through the alleviation of illness, disease, or injury; the operation of an organization exclusively for the provision of professional, laundry, printing, and purchasing services to hospitals or charitable institutions; the operation of a home for the aged, as defined in section 5701.13 of the Ohio Revised Code; the operation of a radio or television broadcasting station that is licensed by the federal communications commission as a noncommercial educational radio or television station; the operation of a nonprofit animal adoption service or a county humane society; the promotion of education by an institution of learning that maintains a faculty of qualified instructors, teaches regular continuous courses of study, and confers a recognized diploma upon completion of a specific curriculum; the operation of a parent teacher association, booster group, or similar organization primarily engaged in the promotion and support of the curricular or extracurricular activities of a primary or secondary school; the operation of a community or area center in which presentations in music, dramatics, the arts, and related fields are made in order to foster public interest and education therein; the production of performances in music, dramatics, and the arts; or the promotion of education by an organization engaged in carrying on research in, or the dissemination of, scientific and technological knowledge and information primarily for the public.
- Sales to churches.
- Sales to organizations that have been granted and have maintained 501(c)(3) status by the Internal Revenue Service.
- Sales of personal computers, computer monitors, computer keyboards, modems, and other peripheral computer equipment to an individual who is licensed or certified to teach in an elementary or a secondary school in this state for use by that individual in preparation for teaching elementary or secondary school students.
- Sales to a veterans' organization state headquarters.
- Sales of animals by nonprofit animal shelters and county humane societies.
- Sales to U.S. government agencies.
- Sales to the State of Ohio or any of its political subdivisions.
- Sales to other states and their political subdivisions if they exempt sales to the State of Ohio and any of its political subdivisions.
- Casual sales except sales of motor vehicles, boats and outboard motors that are required to be titled, snowmobiles, documented boats, all-purpose vehicles, off-highway motorcycles and personal watercraft.
- Transportation of property.
- Motor vehicles sold in Ohio to nonresidents for immediate removal and titling outside the state.
- Drugs that are or are intended to be distributed free of charge to a practitioner licensed to prescribe, dispense, and administer drugs to a human being in the course of a professional practice and that by law may be dispensed only by or upon the order of such a practitioner.
- Motor vehicle fuel that is subject to the state motor fuel tax.
- Motor vehicles and parts used for transporting tangible personal property by persons engaged in highway transportation for hire.
- Emergency and fire protection vehicles and equipment used by nonprofit organizations in providing emergency and fire-protection services for political subdivisions.

- Sales of used manufactured homes and used mobile homes, as defined in section 5739.0210 of the Ohio Revised Code, made on or after Jan. 1, 2000;
- Sales of tangible personal property and services to a provider of electricity used or consumed directly and primarily in generating, transmitting, or distributing electricity for use by others, including property that is or is to be incorporated into and will become a part of the consumer's production, transmission, or distribution system and that retains its classification as tangible personal property after incorporation; fuel or power used in the production, transmission, or distribution of electricity; and tangible personal property and services used in the repair and maintenance of the production, transmission, or distribution system, including only those motor vehicles as are specially designed and equipped for such use. The exemption provided in this division shall be in lieu of all other exemptions in division (B)(42)(a) of section 5739.02 of the Revised Code to which a provider of electricity may otherwise be entitled based on the use of the tangible personal property or service purchased in generating, transmitting, or distributing electricity.
- Sales to a professional racing team of any of the following:
 - Motor racing vehicles;
 - Repair services of motor racing vehicles;
- Items of property that are attached to or incorporated in motor racing vehicles, including engines, chassis, and all other components of the vehicles, and all spare, replacement, and rebuilt parts or components of the vehicles; except not including tires, consumable fluids, paint, and accessories consisting of instrumentation sensors and related items added to the vehicle to collect and transmit data by means of telemetry and other forms of communication.
- Things used or consumed primarily in storing, transporting, mailing or otherwise handling purchased sales inventory in a warehouse, distribution center or similar facility when the inventory is primarily distributed outside this state to retail stores of the person who owns or controls the warehouse, distribution center, or similar facility.
- Things used or consumed by a warrantor in fulfilling a warranty on tangible personal property.
- Sales of drugs for a human being, dispensed pursuant to a prescription; insulin as recognized in the official United States pharmacopoeia; urine and blood testing materials when used by diabetics or persons with hypoglycemia to test for glucose or acetone; hypodermic syringes and needles when used by diabetics for insulin injections; hospital beds when purchased by hospitals, nursing homes and other medical facilities; and medical oxygen-dispensing equipment.
- The purchase of durable medical equipment for home use, or mobility enhancing equipment, when made pursuant to a prescription and when such devices or equipment are for use by a human being.
- Tangible personal property used in air, noise or water pollution control facilities by holders of pollution control certificates.
- Tangible personal property to be resold in the form received.
- Tangible personal property used or consumed in commercial fishing.
- Gas, water, steam, and electricity delivered through pipes, conduits, or wires and sold by a public utility.
- Bulk water for residential use.
- Tangible personal property incorporated into an energy conversion facility, solid waste energy conversion facility, or a thermal efficiency improvement facility by holders of the appropriate certificate.
- Telecommunications service to call centers. (No longer an exemption of the sale of 800, WATS, or private communications services).
- Sales of property for used directly in agricultural production.
- Property used in the preparation of eggs for sale.
- Sale and installation of agricultural land tile.
- Sale and construction of portable grain bins to farmers.
- Sales to persons licensed to conduct a food service operation of tangible personal property primarily used directly: to prepare food for human consumption for sale; to preserve food which has been or will be prepared for human consumption for sale by the food service operator, not including tangible personal property used to display food for selection by the consumer; and to clean tangible personal property used

to prepare or serve food for human consumption for sale.

- Ships or vessels or rail rolling stock used in interstate or foreign commerce and material used for repairing, altering, or propelling them.
- Material, machinery, equipment and other items used in packaging property for sale by a manufacturer or retailer.
- Building and construction material sold to contractors for incorporation into real property of federal, state, or local governments; religious and charitable institutions; a sports facility under section 307.696 of the Ohio Revised Code; or outside this state if exempt by that state.
- Building and construction materials sold to construction contractors or persons engaged in the business of horticulture or producing livestock for incorporation into a horticulture or livestock structure.
- Building materials and services sold to a construction contractor for incorporation into a building under a construction contract with an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986 when the building is to be used exclusively for the organization's exempt purposes.
- Property manufactured in Ohio and immediately shipped outside the state for use in the retail business, if sold by the manufacturer to the retailer and shipped in vehicles owned by the retailer.
- Material incorporated as part of tangible personal property produced for sale by manufacturing, assembling, processing, or refining.
- Tangible personal property used or consumed in a manufacturing operation.
- Sales where the purpose of the consumer is to use or consume the things transferred in making retail sales and consisting of newspaper inserts, catalogues, coupons, flyers, gift certificates, or other advertising material which prices and describes tangible personal property offered for retail sale.
- Sales to direct marketing vendors of preliminary materials such as photographs, artwork, and typesetting that will be used in printing advertising material; of printed matter that offers free merchandise or chances to win sweepstakes prizes and that is mailed to potential customers with advertising material described in section 5739.02 (B)(35)(a) of the Ohio Revised Code; and of equipment such as telephones, computers, facsimile machines, and similar tangible personal property primarily used to accept orders for direct marketing retail sales.
- To use tangible personal property to perform a service listed in division (B)(3) of section 5739.01 of the Ohio Revised Code (repair; installation; towing, washing, cleaning, waxing, polishing or painting motor vehicles; transportation of persons, within Ohio, except by public transit systems or commercial airlines; laundry and dry cleaning (except coin operated); automatic data processing, computer service and electronic information service; telecommunications; satellite broadcasting service (audio and video); landscaping and lawn care; snow removal; private investigation and security; 1-900 information; personal care service, including skin care, application of cosmetics, manicures, pedicures, hair removal, tattoos, body piercing, tanning, massage and other similar services (not including hair care such as cutting, coloring, and styling); building maintenance and janitorial; employment; employment placement; exterminating; physical fitness facility; recreation and sports club) if the property is or is to be permanently transferred to the consumer of the service as an integral part of the performance of the service.
- Parts and services used in repairing and maintaining aircraft with fractional share ownership (private aircraft whose ownership is shared by a group of people).
- "Direct use" exemptions:
 - Material used or consumed directly in mining, farming, agriculture, horticulture, floriculture, or used in the production of and exploration for crude oil and natural gas. Motor vehicles titled and registered to operate on the highways generally do not qualify for exemption.
 - Tangible personal property used directly in rendering a public utility service.
 - Tangible personal property used or consumed in the preparation for sale of printed material.
 - Sales to organizations described in division (D) of section 5709.12 of the Ohio Revised Code.

Note: This list of exemptions is merely an abbreviation of the law. The statutes and rules concerning sales tax exemptions are very long and complicated. Also there are hundreds of court decisions which affect the application of these exemptions. If you have any questions regarding a particular situation, please contact the Department of

Taxation.

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3. What services are subject to the sales tax?

- Rental of hotel rooms or similar sleeping accommodations for less than 30 days by establishments with five or more sleeping rooms.
- Provision of landscaping or lawn care service, if annual sales of this service equal or exceed \$5,000.
- Provision of private investigation or security service.
- Provision of information service through use of a nine-hundred telephone call (1-900).
- Production of tangible personal property from material supplied by the customer. For example, a tailor using fabric furnished by the customer.
- Building maintenance and janitorial service, if annual sales of this service equal or exceed \$5,000.
- Exterminating service.
- Employment service.
- Employment placement service.
- Physical fitness facility service.
- Recreation and sports club service.
- Repair of tangible personal property (except repair of property which is exempt from sales tax).
- Installation of tangible personal property (except installation of property which is exempt from sales tax).
- Washing (except coin-operated), cleaning, waxing, polishing, or painting of motor vehicles.
- Towing service for motor vehicles, this includes the conveyance of a wrecked, disabled, or illegally parked motor vehicle.
- Laundry and dry cleaning service, excluding sales made through coin operated machines.
- Automatic data processing, computer services, or electronic information services provided for use in a business. Electronic information services include, but are not limited to, Internet access charges and e-mail service charges for use in a business.
- Certain telecommunication services.
- Satellite broadcasting service.
- Personal care service, including skin care, application of cosmetics, manicures, pedicures, hair removal, tattoos, body piercing, tanning, massage and other similar services. It does not include hair care: cutting, coloring, and styling.
- Transportation of persons, within Ohio, except by public transit systems or commercial airlines.
- Snow removal service, if annual sales of this service equal or exceed \$5,000.
- Storage of tangible personal property (except such property that the consumer of the storage holds for sale in the regular course of business).

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4. What services are not taxable?

Professional, personal, and insurance transactions are not taxable when any transfer of tangible personal property is a small item for which no separate charge is made.

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5. Must I charge tax when I sell a prepaid authorization number or prepaid telephone calling card?

Yes. The sale of a prepaid authorization number and/or a prepaid telephone calling card is considered a sale subject to sales tax, unless the purchaser has a statutory basis for claiming exception or exemption.

“Prepaid authorization number” means a numeric or alphanumeric combination that represents a prepaid account that can be used by the account holder solely to obtain telecommunications service, and includes any renewals or increases in the prepaid account.

“Prepaid telephone calling card” means a tangible item that contains a prepaid authorization number that can be used solely to obtain telecommunications service, and includes any renewals or increases in the prepaid account.

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6. Is the charge for Internet service taxable?

The charges for Internet service (on-line access to information stored in a computer) for use in business are subject to Ohio sales or use tax. The charges for Internet service for individuals are not subject to Ohio sales or use tax.

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7. Is the charge for creating an Internet Web site taxable?

The charge for creating a Web site on an ISP's server is a charge for personal service and it is not subject to sales or use tax.

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8. Are warranties, maintenance agreements, or service contracts subject to the sales tax?

Basically, yes. However, warranties, extended warranties, maintenance agreements or service contracts covering exempt equipment would also be exempt.

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9. How do I handle price discounts, manufacturers' rebates, coupons, and trade-in allowances?

- **Price discounts** – The tax base is reduced when the discount is allowed at the time of sale. Also qualifying are cash and term discounts allowed by a vendor and taken by the consumer.
- **Coupons** – The tax base is reduced when the customer uses a coupon supplied or published by the vendor free of charge. Manufacturers' coupons that are redeemable by any vendor and for which the vendor will be reimbursed by the manufacturer do not reduce the tax base.
- **Manufacturers' rebates** — The tax base is never reduced by any form of rebate for goods and services sold. The vendor must charge tax on the total amount charged at the time of the sale.

Trade-in Allowances:

- **New motor vehicles** (including all-purpose vehicles and off-highway motorcycles but does *not* include manufactured homes or mobile homes) — the tax base can be reduced on the sale of a new motor vehicle when a licensed new motor vehicle dealer accepts a motor vehicle in trade. No other item accepted in trade can reduce the tax base of a motor vehicle.

For example, a new car is priced at \$18,500 and the customer receives a trade-in allowance of

\$500, leaving the net difference \$18,000. The tax base becomes \$18,000.

Note: The tax base is not reduced on the sale of a used motor vehicle when a trade-in is allowed.

- **New and used titled watercraft and outboard motors** (includes titled personal watercraft) — The tax base can be reduced on the sale of new and used watercraft and outboard motors when a licensed watercraft dealer accepts a watercraft, watercraft and trailer and/or outboard motor in trade.

Note: The tax base cannot be reduced when only a trailer is accepted in trade.

For all other sales, a trade-in allowance does not reduce the tax base.

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10. What items are considered "food" for sales tax purposes?

"Food" means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food" does not include alcoholic beverages, dietary supplements, soft drinks, or tobacco. Please refer to the information release [Food Definition Change, ST 2004-01](#) for additional information.

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11. Are there any items which can be eaten or drunk that are not considered food?

Yes, soft drinks, alcoholic beverages, dietary supplements, and tobacco. Beverages that do qualify as food include milk or milk products, soy, rice, or similar milk substitutes, or items that contain greater than 50-percent vegetable or fruit juice by volume.

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12. Is water taxable?

Bottled water, distilled water, mineral water, ice and carbonated water sold for ingestion by humans are considered food. Food items consumed off premises are not taxable. Water that contains natural or artificial sweeteners is a "soft drink" under R.C. 5739.01(EEE)(2)(c) and excluded from the definition of food. Please refer to the information release titled [Food Definition Change, ST 2004-01](#) for additional information.

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13. Are non-prescription drugs taxable?

Medicines (including tonics), vitamin preparations and other non-prescription products are taxable.

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14. Are items purchased with food stamps taxable?

Federal law prohibits states from imposing sales tax on items purchased with food stamps. This includes items, such as soft drinks, which are normally subject to Ohio sales tax.

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15. What are my sales and use tax obligations for my catering business?

Sales — You are required to collect and remit sales tax on all sales including rentals, except for sales of food for

consumption off the premises where sold. For example, if you are catering a wedding at your facility, you would be required to collect and remit sales tax on the sale of the food and beverages and on the rental of chairs, tables, dishware, stemware, silverware, napkins, tablecloths, silk flowers etc. If you are catering a wedding at a facility arranged for by the wedding party (not your facility or a facility arranged for by you), you would be required to collect and remit tax on sales of all beverages (soda, beer, wine, mixed drinks, etc.) and on all rental items, but you would not be required to collect tax on the sale of food as the food is consumed off the premises where sold.

Purchases — You would be entitled to claim exemption on the purchase of all items that are purchased for “resale” (food, beverages and/or rental items). If you are licensed to conduct a food service operation pursuant to section 3732.03 of the Ohio Revised Code, you are entitled to claim exemption on the purchase of items primarily used directly in preparing and preserving food for human consumption for sale (not including items used to display food for selection by the consumer), and to clean items used to prepare or preserve food for human consumption for sale.

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16. As a bed & breakfast, do I have any responsibility to collect and remit sales tax?

If your bed & breakfast has five or more sleeping rooms, you must charge sales tax on the total amount charged.

If your bed & breakfast has fewer than five sleeping rooms, you should separate the charges for the sleeping room from the charges for the food. You must collect sales tax on the amount charged for food. If you do not separate the room charges from food charges, you must collect sales tax on the total amount charged.

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17. Are delivery costs taxable?

Yes. Effective Aug. 1, 2003 delivery charges by a vendor for preparation and delivery to a location designated by the consumer of tangible personal property or a service, including transportation, shipping, postage, handling, crating, and packing are taxable.

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18. How are floor coverings taxed?

Floormats, area rugs and other types of unattached floor coverings are sales or rentals of tangible personal property and are subject to the sales tax. Also, the outright purchase of carpet, vinyl flooring and tiles to be installed by the consumer or a third party are taxable.

The sale and installation of carpeting is a retail sale **and** taxable on material and labor. Labor charges to install carpeting supplied by others are taxable.

The sale **and** installation of all other types of floor coverings (wood, vinyl, tile, etc.) is considered a construction contract; the contractor is required to pay tax on all material and equipment used or consumed in the installation.

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19. Are building and construction materials taxable?

Yes, items that become a part of real property are taxable unless the contractee is:

- the State of Ohio or one of its political subdivisions;
- the federal government;

- a house of worship or religious education;
- a non-profit organization operated for certain charitable purposes as defined in the sales tax law;
- contracting for the original construction of a sports facility under section 307.696 of the Ohio Revised Code;
- contracting for a hospital facility entitled to exemption under section 140.08 of the Ohio Revised Code;
- contracting for real property located in another state when the materials are not subject to tax in that state;
or
- contracting for a horticulture or livestock structure for a person engaged in the business of horticulture or producing livestock.

Also, building and construction materials sold to a construction contractor for incorporation into real property outside this state are not subject to Ohio sales or use tax if such materials would be exempt from tax when sold to the contractor in the other state. The contractee's exemption does not apply to the contractor's tools, equipment, rentals of personal property, form lumber, temporary items such as fencing, lighting, etc., and any other purchases of tangible personal property, or taxable services, not incorporated into real property.

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20. Is there an exemption certificate that construction contractors need?

There is a special Contractor's Exemption Certificate and a Construction Contract Exemption Certificate prescribed by the Tax Commissioner for claiming exemption. A copy of each form is available on this site by searching [Tax Forms](#).

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21. As a farmer, may I claim exemption on my purchases and how?

Farmers are entitled to claim exemption on the purchase of items of tangible personal property used **directly in the production of a product for sale**. This would include, but is not limited to: seeds, fertilizers, insecticides, pesticides, field tiles, tractors, plows, combines, and specially designed motor vehicles with PTO applicator units that travel from farm to farm to apply chemicals and fertilizers. This would **not** include: almost all motor vehicles licensed to operate on the highway [passenger cars; pick-up trucks; larger trucks and trailers that are primarily used to haul people, animals, raw materials (seeds, fertilizers, insecticides and pesticides) to the farm and finished goods (corn, wheat, soy beans, cattle, hogs, etc.) from the farm to market], lawn mowers, weed eaters, items used to maintain set-a-side fields, chain saws, all purposes vehicles that are primarily used for recreation, and home garden equipment.

To claim exemption, a properly completed exemption certificate must be given to your supplier; the certificate is available by searching [Tax Forms](#).

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