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# State Tax Return

## Ohio Vendors Will Not Be Required To Change To Destination Sourcing For Sales Tax

**Phyllis J. Shambaugh**

**Columbus**

**(614) 281-3824**

The much bemoaned Streamlined Sales Tax Project (“SSTP”) sales tax requirement that sales be sourced based on their destination will *not* go into effect in Ohio on January 1, 2008. *Ohio Department of Taxation Information Release ST 2007-03*, issued October, 2007.

### What Prompted Ohio’s Effort to Switch to Destination Sourcing?

Although the SSTP’s goal of making sales tax laws more uniform across the United States is laudable, the SSTP’s destination sourcing requirement has been a thorn in the side of small Ohio vendors due to its complexity. In Ohio, counties are permitted to enact a local sales tax so the sales tax rate varies from county to county. Since Ohio has 88 counties determining the correct sales tax rate based on the destination of the tangible personal property is burdensome for small vendors. Recognizing this, Ohio lawmakers delayed the transition to destination sourcing from January 1, 2005 to January 1, 2008. R.C. 5739.033(A) as amended by Am. Sub. S.B. 26.

In June, 2007 the Ohio General Assembly made Ohio’s adoption of destination sourcing contingent on SSTP amending the Streamlined Sales Tax Agreement to provide an exception from destination sourcing for vendors with delivery sales of less than \$500,000 in the prior calendar year. R.C. 5740.10. SSTP has not adopted such an amendment, therefore, pursuant to R.C. 5739.033(B)(2) vendors currently permitted to source delivery sales on an origin basis may continue to do so.

### The Department’s Information Release

The Department’s Information Release clarifies the sourcing requirements for vendors.

- Vendors who have not switched to destination sourcing and were not required to do so<sup>1</sup> may continue to source sales on an origin basis under R.C. 5739.035.

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<sup>1</sup> R.C. 5739.033(B)(2)(a) required a vendor with total delivery sales of more than 30 million dollars in calendar year 2005 to switch to destination sourcing on May 1, 2006. R.C. 5739.033(B)(2)(b) required

- All vendors who voluntarily switched to destination sourcing or were required to switch must continue to use the destination sourcing provision of R.C. 5739.033 for delivery sales.
- Vendors may irrevocably elect to adopt destination sourcing at any time. This change should be made at the beginning of the vendor's tax return period. ■



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(continued...)

a vendor with sales in excess of 5 million dollars in calendar year 2006 to switch to destination sourcing on May 1, 2007.