



March 2006

To All Ohio Vendors:

The Ohio 124th General Assembly passed Amended Substitute House Bill 405, which made significant changes in the way Ohio sales and use tax is applied to the lease of motor vehicles, watercraft, outboard motors, and aircraft. The change in the law also applies to leases of tangible personal property used for business purposes. **Effective February 1, 2002, the sales tax on most leases of these types of property will be computed and paid at the beginning of the lease rather than on the monthly payments.** The following information will explain the changes of the law and how they may apply to your business.

Statutory Law

Section 5739.02 (A)(2) states:

In the case of the lease or rental, with a fixed term of more than thirty days or an indefinite term with a minimum period of more than thirty days, of any motor vehicles designed by the manufacturer to carry a load of not more than one ton, watercraft, outboard motor, or aircraft, or of any tangible personal property, other than motor vehicles designed by the manufacturer to carry a load of more than one ton, to be used by the lessee or renter primarily for business purposes, the tax shall be collected by the vendor at the time the lease or rental is consummated and shall be calculated by the vendor on the basis of the total amount to be paid by the lessee or renter under the lease agreement. If the total amount of the consideration for the lease or rental includes amounts that are not calculated at the time the lease or rental is executed, the tax shall be calculated and collected by the vendor at the time such amounts are billed to the lessee or renter. In the case of an open-end lease or rental, the tax shall be calculated by the vendor on the basis of the total amount to be paid during the initial fixed term of the lease or rental, and for each subsequent renewal period as it comes due. As used in this division, "motor vehicle" has the same meaning as in section 4501.01 of the Revised Code, and "watercraft" includes an outdrive unit attached to the watercraft.

A lease with a renewal clause and a termination penalty or similar provision that applies if the renewal clause is not exercised is presumed to be a sham transaction. In such a case, the tax shall be calculated and paid on the basis of the entire length of the lease period, including any renewal periods, until the termination penalty or similar provision no longer applies. The taxpayer shall bear the burden, by a preponderance of the evidence, that the transaction or series of transactions is not a sham transaction.

Additions similar to the above were made to the Use Tax code in Section 5741.02 (A)(2).

Section 5739.01 (UU)(1) has been added. It defines the term "lease".

"Lease" or "rental" means any transfer of the possession or control of tangible personal property for a fixed or indefinite term, for consideration. "Lease" or "rental" includes future options to purchase or extend, and agreements described in 26 U.S.C. 7701(h)(1) covering motor vehicles and trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon the sale or disposition of the property.

Explanation

This change in the sales and use tax law applies to qualifying lease contracts entered into on and after February 1, 2002. **The tax will be collected at the time the lease is consummated. Sales and use tax apply to the total amount that will be paid throughout the term of the lease.** Tax on charges that are not or cannot be calculated at the time the lease is consummated must be collected at the time those charges are billed to the lessee. Examples of this type of charge would be an excess mileage charge or a reimbursement of personal property tax. There are many questions that arise as a result of the law change. Below you will find questions and answers to assist you in implementing the new law. At a later date, there will be more detailed information available on the Department of Taxation website, tax.ohio.gov.

Questions and Answers

Q1) To what items does the new law apply?

A1) The law specifically lists motor vehicles, watercraft, outboard motors and aircraft. (Note the exclusion of motor vehicles designed by the manufacturer to carry a load of more than one ton. A lease of this type of vehicle will still be subject to the tax on each monthly lease payment as treated under prior law). Also included under the new law is "tangible personal property used primarily for business purposes." This includes, but is not limited to, leases of computers, computer peripherals, canned software, furniture, machinery, plants, wall hangings, communication equipment, and any other personal property used by a **business**.

Q2) How is the "price" determined for computing sales tax due at the time the lease is consummated?

A2) **The price** on which to compute the sales tax is the total amount to be paid by the lessee under the lease agreement. The change in the law requires that price includes the sum of all lease payments over the term of the lease. For example, if the lease calls for 48 payments of \$300.00, total payments would be \$14,400.00. "Price" includes this amount. As under prior law, "price" also includes other amounts that represent consideration for the lease of motor vehicles, watercraft, aircraft and other personal property including, but not limited to: down payments, manufacturer rebates, interest, and documentary fees.

Refundable deposits, to the extent those deposits are actually refunded to the lessee, are not part of the price. Should part of the deposit be held at the end of the lease to cover taxable charges and fees, the tax on that amount will be collected at the time the charge is imposed.

Q3) How will trade-ins be handled?

A3) Trade-ins are similar to charges such as down payments or manufacturer rebates in that they reduce the cost of the leased property on which the lease payments are computed. As a general rule, items taken in trade on a sale or lease are part of the price. Tax will apply on trade-in amounts in the same manner as for down payments or manufacturer rebates.

However, under Ohio law, the credit afforded a lessee for a trade-in of a used motor vehicle on the lease of a new motor vehicle is not included in the taxable price of the transaction. Likewise, the credit afforded a lessee for the trade-in of a used watercraft or outboard motor on the lease of a new or used watercraft or outboard motor from a watercraft dealer registered with the Ohio Department of Natural Resources is not included in the taxable price. In these types of transactions, no tax need be collected on the credit afforded the lessee for the trade—in. If the lessee owes an outstanding balance on the motor vehicle, watercraft or outboard motor that is traded, and that balance is financed as part of the lease, the financed amount is part of the price of the lease.

Q4) Who is responsible for collecting and remitting the tax?

A4) The vendor collects and remits the tax. In the case of the lease of a motor vehicle, the vendor is the dealer with whom the lessee negotiates the transaction and from whom delivery of the leased vehicle is taken. In all other cases, it is the person to whom the down payment or initial lease payment is made. The vendor will pay the tax on the appropriate Ohio sales or use tax return. The vendor is entitled to the appropriate discount of the tax for returns that are paid and received in a timely manner.

Q5) When should the tax be collected and remitted?

A5) The tax should be collected at the time the lease is "consummated." For purposes of sales and use tax, the lease will be considered to be consummated when the property which is the subject of the lease is delivered or the initial payment under the lease is required to be made, whichever is earlier.

Charges payable under the terms of the lease during the period the leased property is being produced, and which compensate the lessor for the cost of acquiring the leased property, are not considered to be the initial payment on the lease. Such charges are part of the taxable price of the leased property and tax should be collected and remitted on these charges on the sales or use tax return for the period in which the lease is consummated.

Q6) What is the rate of tax to collect?

A6) Leases of Titled Motor Vehicles — The dealer must collect the tax at the rate of the lessee's county of residence or business location.

Leases of Watercraft or Outboard Motors by an Ohio Licensed Dealer - If the watercraft or outboard motor is titled in this state and the lessee is an Ohio taxpayer, the dealer should collect tax at the rate in effect in the lessee's county of residence or business location. If the lessee of an Ohio-titled watercraft or outboard motor is an out-of-state resident or business and the watercraft or outboard motor is docked in this state, the tax should be collected at the rate in effect where the watercraft or outboard motor is docked or based. In the case of a federally documented watercraft where the watercraft will be docked or based in Ohio, the dealer should collect tax in accordance with R.C. 5739.033. In the case of any watercraft or outboard motor leased to a nonresident of this state that will be removed from this state for use outside the state, the vendor should refer to the provisions of R.C. 5739.027.

Leases of Aircraft and Leases of Other Personal Property to be used by the Lessee in Business - The vendor should situs the sale according to the provisions of R.C. 5739.033. Vendors with Ohio locations that operate under regular vendor's licenses should collect tax at the rate for the county at which the vendor is located and licensed. Leases by in-state vendors without a fixed location where goods are shown to customers for selection should report tax at the rate in effect at the location where possession of the goods is transferred to the lessee.

Leases by Non-Ohio Sellers Other than Ohio-Licensed Motor Vehicle or Watercraft Dealers — Sellers must collect the tax at the point in Ohio where the property is delivered to the lessee or, if not delivered, at the point the lessee will first use the property in Ohio.

Q7) What is the appropriate sales or use tax account on which to report and pay the tax?

A7) Leases of Motor Vehicles and Ohio-titled Watercraft or Outboard Motors - In-state dealers that facilitate lease transactions will need two accounts to separately report their sales and lease transactions: a regular county vendor's license (license numbers 01-XXVOCX through 88-XXXXXX) and an Ohio transient vendor's license (89-X5XXXX). Out-of-state dealers not licensed with this state should obtain an Ohio seller's use tax account (99-

Leases of Federally-Documented Watercraft, Leases of Aircraft, and Leases of Other Personal Property to be Used by the Lessee in Business — In-state vendors will report tax on their leases on either a regular vendor's license (01-XXXXXX through 88-XXXXXX), transient vendor's license (89-X5X)0(X) or delivery vendor's license (90-XXXXXX), as provided in R.C. 5739.17. Out-of-state sellers leasing these types of property should obtain an Ohio seller's use tax account, (99-XXXXXX).

Q8) What is to be reported on each of the sales and/or use tax returns?

A8) Leases of Motor Vehicles or Ohio-Titled Watercraft or Outboard Motors Where a Dealer Collects the Tax on the Lease Transaction - The dealer is effecting two sales for purposes of reporting on sales and use tax returns. One for the sale of the property to a leasing company and the other for the tax collected on the amount paid for the term of the lease.

For the sale to the leasing company, the sale price should be reported on the return for the dealer's regular vendor's license (Form ST-10) as an exempt sale. The amount of the sale would be reported on Line 1, Gross Sales, and subtracted on Line 2, Exempt Sales.

For the sale to the lessee, the sale and tax will be reported and remitted on the dealer's return for the transient vendor's license (Form UST-1). The amount of the sale and the tax will be shown on the supplemental portion of the return on the line for the county whose tax rate was collected. The sale amount will be included with all other taxable transactions on Line 1, Gross Sales. The amount of the sale is everything included in the "price" as described in the answer to Question 2, above. The amount of tax collected will be included on Line 6. If the lease is not subject to the tax, it should be included on Line 2, Exempt Sales, and not reported on a county line in the supplemental portion of the return.

Leases of Federally-Documented Watercraft, Leases of Aircraft, and Leases of Other Personal Property to be Used by the Lessee in Business - For leases by Ohio vendors where the vendor collects and remits the tax, the tax must be reported and paid on the return for the vendor's county, transient or delivery vendor's license. An out-of-state leasing vendor in the same situation will report and pay the tax on a seller's use tax account.

Q9) If the lease is terminated prior to the lease term, is there a refund for any of the sales tax previously paid?

A9) No. There is no provision in the Ohio Revised Code for a refund of the tax, unless the entire purchase price is refunded to the customer.

Q10) Is sales tax due on charges that are not or cannot be calculated at the time the lease is consummated?

A10) If the lessor assesses charges for items such as property tax reimbursement, or excessive wear or mileage, either during the lease period or at the end of the lease, sales tax must be collected on these charges at the time they are billed to the lessee. This tax collected should be reported and paid on the lessor's regular sales or use tax return.

Tax is due on any early termination charge unless that charge represents a compensation for the unpaid amounts on the lease that have already been subject to taxation at the consummation of the lease.

Q11) If the lessee decides to purchase the leased property, what is the tax consequence?

A11) If the customer decides to purchase the property, tax should be collected on the purchase price and any other charges associated with the transfer of ownership. For motor vehicles, watercraft and outboard motors, tax should be paid to the Ohio Clerk of Courts at the rate in effect in the customer's county of residence. For other property, the tax should be paid on the leasing company's Ohio transient vendor's License.

Q12) What about existing leases entered into prior to February 1, 2002?

A12) The method of tax collection on these leases will remain the same as under prior law. Tax should be collected on each monthly payment through the end of the lease. Tax should be charged on any fee for the early termination of such a lease. Similarly, additional fees such as property tax reimbursement, or excessive wear or mileage charges would be taxable as they are billed.

Lease contracts entered into prior to February 1, 2002 may provide for extensions of the original lease. If the extension contains the same provisions of the original lease, the tax shall continue to be collected and reported on the monthly lease payments. However, if the provisions of the original lease are changed by the extension, this constitutes a new lease and tax would be collected up front according to the terms of the new lease contract.

Q13) When is a lease "entered into" as it pertains to the February 1, 2002 date?

A13) For purposes of applying the "grandfather" provision of Sub. H.S. 405, the Department of Taxation will consider a lease "entered into" when the parties are obligated to the terms of the lease, the specific motor vehicle, watercraft, outboard motor, aircraft, or tangible personal property that is the subject of the lease is identified, and steps toward performing the lease have been undertaken. For example, assume that prior to February 1, 2002, a lessor and a lessee have agreed to the lease of an airplane. Also prior to February 1, 2002, an order has been placed and the airplane is being manufactured for delivery to the lessor. In this case, the parties have obligated themselves to the lease, the specific property has been identified and performance has been undertaken by having production of the airplane initiated. This lease would qualify under the grandfather clause as one to be treated under the terms of the law that existed prior to that date.

Often lessors and lessees will enter into agreements whereby a lessor will agree to lease property to a lessee where the specific items that may be subject to the lease are not identified in the agreement or the property leased may change over time. Some examples of this type of agreement may be styled master lease or fleet lease. Many of these contracts have been in existence for many years. In determining the application of the "grandfather" provision to these agreements, the Department of Taxation will look to the date when each specific motor vehicle, watercraft, outboard motor, aircraft, or other tangible personal property was identified and included in the lease. In other words, we will consider each item to be separately leased under the terms of the pre-existing contract. For example, a lessee with an agreement to lease a fleet of motor vehicles from a lessor orders new vehicles to be covered by the lease on March 1, 2002. The lease of these newly identified vehicles would be taxable at the time the lease is consummated on the total amount to be paid under the lease agreement for those vehicles. The existing fleet on January 31, 2002, would continue to be taxed on the monthly installments.

Q14) A lessor may advance the tax money to the lessee and finance the tax over the term of the lease. If this is done, is the repayment of the tax and any interest on that repayment subject to tax?

A14) The repayment of the financed tax and any interest on that financed tax are not part of the tax base of the lease for sales and use tax purposes where the records of the vendor and the lease clearly document the total price on which the tax was calculated and the tax collected on the lease. It would be preferable, though not required, that the financed tax portion of the lessee's payment be separately stated on lease billings.

Q15) Will existing sales and use tax exemptions and exceptions apply to leased property after February 1, 2002?

A15) Yes. Current exemptions and exceptions based on the use of the item, the identity of the item, or the identity of the purchaser will still apply.

Q16) If the lessee has a Direct Payment Permit, should tax be paid to the vendor at the time the lease is consummated?

A16) No. The Direct Payment holder will report tax on their direct payment tax return.

Q17) Would non-taxable items such as customized software and professional services that are included in the lease of taxable personal property be subject to the tax?

A17) No, provided that the payments for non-taxable items are separately stated within the records of the lease document and that the records of the vendor and the lease clearly document the total price on which the tax was calculated and the tax collected on the lease.

Q18) How should tax be calculated on a lease with no definite term?

A18) Tax should be collected on the total amount to be paid for the initial established term of the lease in the manner described in this letter at the time the lease is consummated. Tax should then be collected for each renewal period as payment for that period becomes due.

Q 19) A lessee brings leased equipment into Ohio. The lessor is an outofstate company and the lease was consummated prior to February 1, 2002. How will this lease be taxed in Ohio'?

A 19) Since the lease was entered into (or consummated) prior to February1, 2002, it will be subject to sales taxation according to the "old law", that is the law prior to HB 405. Assuming the leased equipment is not otherwise exempt from taxation, sales tax is to be collected by the lessor on each of the remaining lease payments, and reported on an out-of-state seller's account

Q 20) A lease is consummated after January 31, 2002, between a lessor and lessee, both of whom are initially located outside Ohio and in a state that taxes leases "up front". Thereafter the leased equipment is brought into Ohio by the lessee. How will such a lease be taxed in Ohio?

A 20) The balance of the lease charges due after the leased equipment is brought into Ohio will be subject to Ohio's up front sales tax. Credit to Ohio's tax will be given for the other state's sales tax. If the other state's tax equals or exceeds the appropriate Ohio tax, no additional tax will be due.

21) How should an out-of-state vendor be registered in Ohio?

A 21) Out-of-state vendors should have an Ohio seller's use tax account. Application for a seller's use tax account can be obtained on the Internet at tax.ohio.gov, or at the Department's Taxpayer Services Division at 1-888-405-4089. See also the addresses and phone numbers on the Department's Internet Web site for the various service centers in the state

22) What are the consequences to the lessee if an out-of-state vendor is not required to register in Ohio and collect Ohio tax?

A 22) Out of state vendors are required to register in Ohio and collect Ohio use tax if they have sufficient nexus in this state. See the September, 2001 information release on Nexus standards. Information releases can be found on the Internet at: tax.ohio.gov. If the out-of-state vendor does not have sufficient nexus in Ohio and is not required to register as a seller, the lessee must report the tax liability on a consumer's use tax account.

Application for a consumer's use tax account can be obtained on the Internet at tax.ohio.gov, or at the Department's Taxpayer Services Division at 1-888-405-4089. See also the addresses and phone numbers on the Department's Internet Web site for the various service centers in the state.

23) Tangible personal property is leased in another state and is brought into Ohio. How is the price of the leased property determined for purposes of taxation?

A 23) The taxable value of tangible personal property, leased in another state and subsequently brought into Ohio within six months after consummation of the lease, will be the entire cost of the lease. The taxable value of tangible personal property, leased in another state and brought into Ohio after six months of the lease consummation, will be the sum of the remaining lease payments to be paid by the lessee under the terms of the lease. In all cases use tax will be due and should be paid by the lessee to the lessor immediately upon the arrival of the leased property into Ohio.

24) Property is leased outside Ohio and sales tax exempt. It is moved into Ohio where it is subject to tax. How is the taxable value of the property determined?

A 24) The taxable value of the lease will be the same as that for Question 5. Use tax would be due and should be paid by the lessee immediately upon the arrival of the property in Ohio.

25) What are some of the charges that are taxable in a lease? What are some of the charges that are exempt?

A 25) These charges are not taxable for leases:

- Credit life and disability insurance premiums
- Late charges for payments made after the due date
- Collection/repossession fees
- Assumption fees billed a lessee when the lease is assumed by another lessee
- Legal fees incurred by a lessor for collection proceedings against the lessee
- Interim interest billed the lessee on a loan granted by the lessor prior to lease inception
- Motor vehicle registration fees
- "Non-insurance" fees charged to a lessee that fails to document adequate insurance

- NSF (bad check) fees
- ACH Debit fees

Parking ticket fees assessed on the leased vehicle and billed to the lessee
These charges are taxable for leases:

Luxury taxes

- Acquisition fees
- "GAP" or "reverse equity" fees
- Disposition fees determined at lease termination
- Property taxes
- Payment or lease extension fees
- Re-write fees
- Federal excise taxes levied on the lessor
- Administration fees
- Maintenance fees
- UCC search fees
- Title search fees
- Excess wear or mileage fees
- Turn in fees
- Other or miscellaneous fees

Federal highway use tax levied on the lessor

Lien fees, fees for filing a lien against the leased property. when contractually levied on and paid by the lessor but passed on to the lessee

26) How should any component parts of a lease price not subject to sales tax be documented?

A 26) Non taxable charges have to be separately stated on the original lease agreement. This will permit the resolutions of any issues on price should the lease become the subject of an audit.

27) What are the sales tax consequences if a lease terminates **prior to the end of the lease term? Is sales tax refundable?**

A 27) No credit for or refund of the sales tax paid on the lease is permitted if a lease terminates early.

Q 28) What are the tax consequences when the lease terminates and the lessee purchases the leased item?

A 28) If the lease expires on its termination date according to its schedule, and the lessee buys the leased item the price paid by the lessee to the lessor is subject to sales tax.

If the lease is terminated early so that the lessee has to pay a lease termination charge, (the present value of the remaining lease payments), and the residual price of the leased item, only the residual price of the item is subject to sales tax. Lease termination charges which represent the present value of the remaining lease payments are not subject to sales tax.

29) What are the tax consequences if the lease is renegotiated and:

a. The term, or length, of the lease is changed?

A 29a) This is a new lease and another up front tax is due.

b. Different equipment is leased?

A 29b) This is a new lease and will be subject to another "up front" sales tax charge.

30) Explain how the load capacity of a vehicle is to be determined for purposes of the up front lease exception for vehicles designed to carry more than one ton.

A 30) The up front taxation of leases does not apply to motor vehicles designed by manufacturers to carry more than one ton. Vehicles with a load capacity greater than one ton continue to be taxed as they had prior to HB 405, that is, they continue to be taxed on their periodic payments. The capacity of a vehicle, as designed by a manufacturer, will be the gross vehicle weight less the sum of the empty weight (curb weight) and the occupant weight (150 pounds for the driver and each passenger seat).

Q 31) How should a lease without a definite term be taxed? If the duration of the lease is not stated, or is "open", how can it be taxed up front?

A 31) Leases of this type must continue to be taxed on each periodic payment. Since a definite term is not stated, the entire amount to be paid for the lease cannot be calculated at its inception. This answer assumes there is no penalty in the contract for early termination of the lease.

32) Some leases are written so that the periodic payments change with a change in their interest rates. How should leases with provisions for variable interest rates be taxed?

A 32) For a lease wherein the periodic payments can vary according to a national index, e.g. prime rate, over which neither the lessee or lessor has influence, the price of the lease should be based on the interest rate at the inception of the lease. Any increases in monthly payments that result from fluctuations in the national index will **not** result in increases in the price of the lease for sales taxation. Any decreases in the monthly payments that result from fluctuations in the national index will **not** result in decreases in the price of the lease or in the amount of sales tax on the lease.

However, if a lease makes provision for a variable interest rate, or any variable price component that can be influenced or controlled by the parties to the lease, including options by the lessor to increase the periodic payments at certain interim stages of the lease, e.g. annually, then any increases in the lease price are subject to sales tax.

33) A lease requires an additional charge at termination for excess depreciation or a refund to the lessee if the depreciation is less than anticipated at the time of the lease contract. What are the sales tax consequences?

A 33) Additional charges to the lessee at the termination of a lease are subject to sales tax. A reduction to the price of a lease that is a contingent of the original lease contract, and that is only determined at the expiration of that contract, is a reduction to the price and can result in a credit to the sales tax. Reductions in the original lease price that are renegotiated between the lessor and lessee will not result in credits to sales tax.

34) Does the assignment of a lease to a third party result in a new lease?

A 34) No. The mere assignment of a lease to a third party does not result in a new lease.

35) Does the change in a lessee's legal status affect a lease? Can it result in a new lease?

A 35) No if the original lease contract is not void or terminated, but remains in place after the change in the lessee's status, or if the original lease is assigned to the newly created legal entity.

36) Explain how the up front sales **tax will** apply to TRAC leases with no **fixed term**.

A 36) Leases with no fixed term must continue to be taxed month to month. Without a fixed term a lease's total price cannot be determined up front, but will have to be taxed with each periodic payment. This answer assumes there is no penalty clause in the lease contract for the early termination of the lease.

37) Explain how up front sales tax **will** be applied to master leases.

A 37) Master leases cover equipment leased immediately and equipment to be leased in the future. As new equipment is acquired by the lessee the periodic lease payment increases. When equipment drops off the master lease, no refund or credit is allowed. When a master

lease is consummated the price of the equipment to be leased immediately can be calculated. Thereafter whenever additional equipment to be leased is identified the price of such additional equipment, i.e. the sum of the periodic lease payments and all other taxable components of the newly leased property can also be calculated and taxed. In this way each item of equipment is the subject of a separate up front sales tax charge.

38) What are the sales tax consequences of moving leased property from one county to another? Is additional county or RTA sales or use tax due when leased property is moved to another county?

A 38) Yes if the county into which the property is moved has a higher tax rate.

39) What are the sales tax consequences if during the life of a lease the county in which the equipment is situated changes its tax rate?

A 39) Since the tax is computed and collected at the consummation of the lease, no additional tax will be due based on a rate increase at a future date. Likewise, no refund or credit will be allowed for any reduction in a county or transit authority tax rate. However, if the lessee is obligated to pay additional charges that were not included in the amount taxed at the consummation of the lease, such as an excess mileage or usage fee, after the change in the local rate, those charges will be taxed at the then current rate.

40) Does a vendor who leases motor vehicles, watercraft and outboard motors need a transient vendor's license if it already has a regular vendor's license?

A 40) Lessors of automobiles, watercraft, or outboard motors must have a transient vendor's license. The sales tax on these items is based on the county in which the leased property is situated and is to be reported by the transient vendor on a return that lists the counties in which sales taxes are due.

41) Is leased business equipment temporarily stored in Ohio subject to Ohio use tax?

A 41) Whenever leased business equipment is temporarily stored, used, or otherwise consumed in this state it is subject to Ohio use tax. The taxable value of the property is the portion of the total lease amount that can be attributed to Ohio. For example, if business equipment leased for 36 months in another state is temporarily stored or used in Ohio for two months, then transported to a third state, the portion of the total lease amount taxable in Ohio would be two of the 36 lease payments.

42) Should sales tax collected by a vehicle dealer upon consummation of a vehicle lease be paid to a county clerk of courts?

A 42) No, sales tax collected by a vehicle dealer on leased vehicles should be reported and returned to the Ohio Department of Taxation with the universal sales tax return, UST-1.

If you should have any other questions, please contact our Taxpayer Service Center at 1-888-405-4039.