

Does Your Business Comply With Ohio's Use Tax?

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In the midst of a slow economy, the Ohio Department of Taxation (ODT) is targeting a little known and often ignored revenue-raiser: use tax. Ohio's use tax is a sidekick to Ohio's sales tax. Ohio businesses (and consumers) must report and pay use tax when a vendor of goods or certain services fails to collect the sales tax on a taxable transaction. Use tax liability commonly arises in the following situations:

1. purchases from an online vendor (i.e. Amazon, EBay, etc.);
2. catalog purchases;
3. purchases from a non-Ohio vendor that does not collect Ohio sales tax;
4. purchases of service from an Ohio vendor that does not understand that sales tax should be charged (snow removal, landscaping, etc.)

The ODT estimates that up to 380,000 Ohio businesses may owe, but have failed to file and pay, Ohio's use tax. The businesses are not industry specific, but they have a known presence and have not registered for a use tax account in Ohio. In an effort to raise awareness of the use tax and encourage Ohio businesses to register and pay the use tax they owe, the ODT has launched the Use Tax Education Program (UTEP). UTEP grants business two windows of opportunity to self-report any use tax liabilities before the risk of audit.

In the first window, occurring now through August 1, 2011, any business that comes forward before being contacted by the ODT, signs a Voluntary Disclosure Agreement and pays its use tax bill will only be liable for up to **three** years of back tax and interest, but no penalty will be added. The second window begins when the ODT will begin sending out letters to the estimated 380,000 unregistered businesses advising them about UTEP and encouraging them to voluntarily come forward. Any business that receives a letter and contacts the ODT will have its use tax liability limited to no more than **four** years back tax and interest (no penalty).

Any business that receives a letter and fails to respond or otherwise fails to register with the ODT, will be under a threat of audit which could render a business liable for up to seven years of back tax plus penalty (generally 15%) and interest (currently 4%).

Click [HERE](#) for the voluntary disclosure guidelines issued by the Sales & Use Tax Division of the Ohio Department of Taxation.