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April 12, 2011

26600 Detroit Road
Cleveland, Ohio 44145
P: 216-566-8200
F: 216-566-0213

CLIENT ALERT

ARE YOU IN COMPLIANCE WITH OHIO'S USE TAX?

The Ohio Department of Taxation (ODT) is targeting business which have not been paying "use tax." This tax, similar to sales tax, may not have been imposed and therefore, never paid by many Ohio businesses. The use tax is complex and businesses may not know that they are liable. Please see the announcement below for an ODT program that will limit liability to a maximum of three years of tax and interest for those businesses that come forward voluntarily.

Those who receive a letter and comply will have liability for the past 4 years. Those who receive a letter and do not respond to the letter may have liability going back 7 years.

LIMITED LIABILITY PROGRAM

The ODT is offering thousands of businesses in Ohio a limited-time opportunity to minimize a risk they may not even be aware of.

ODT is estimating that up to 380,000 businesses may owe use tax, a little known and often complex tax applied to purchases of goods and services. Use is levied at the same rate as the sales tax and comes into play when a taxable purchase is made but no sales tax is collected.

ODT has launched the Use Tax Education Program (UTEP) as an initiative with two goals; to raise awareness of the use tax and help businesses understand how it works so they comply with the law from now on; and to induce businesses to register and pay the use tax they owe by, in part, offering incentives that can seriously shrink the amount of tax potentially due.

ODT has set up a limited liability program with two windows of opportunity. **The first window is open now through Aug. 1, 2011**, while the department is getting the word out about UTEP. **Any business that comes forward during this education phase, signs a Voluntary Disclosure Agreement, and pays its use tax bill will only be liable for up to three years back tax and interest.**

The second window opens when ODT begins sending out letters to the targeted businesses advising them about the UTEP and encouraging them to come forward. Any business that receives a letter and contacts ODT will have its use tax liability limited to no more than four years back tax and interest.

Any business that receives a letter and fails to respond will be audited or sent a bill that estimates how much tax it may owe, and could be liable for up to seven years back tax plus penalty and interest.

Ohio Tax Commissioner Joe Testa is encouraging businesses to come forward sooner to avoid a heavier price later. “We know the use tax can be challenging. This program is designed to be as business friendly as possible for companies that come forward voluntarily,” Testa said.

Businesses interested in participating in the Voluntary Disclosure Program or finding out more about UTEP can visit the ODT website (tas.ohio.gov) for more information, or contact the department at (614) 466-7351.

Mary Davis

MDavis@sseg-law.com 216-566-8200

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