

OMAC MuniNews

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News & Views About the Ohio Municipal Finance Industry

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Use and Industry Support of DisclosureUSA Continues to Grow

*By: Laura Slaughter
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Municipal Advisory Council of Texas*

In September 2004, an Internet-based "central post office" became a reality with the launch of **www.DisclosureUSA.org**. Instead of mailing numerous hard copies to repositories, issuers and dissemination agents may use **DisclosureUSA.org** as a single filing location. Filing with **DisclosureUSA** meets the continuing disclosure requirements of SEC Rule 15c2-12, as indicated through a SEC letter of interpretation and is free to those filing electronically.

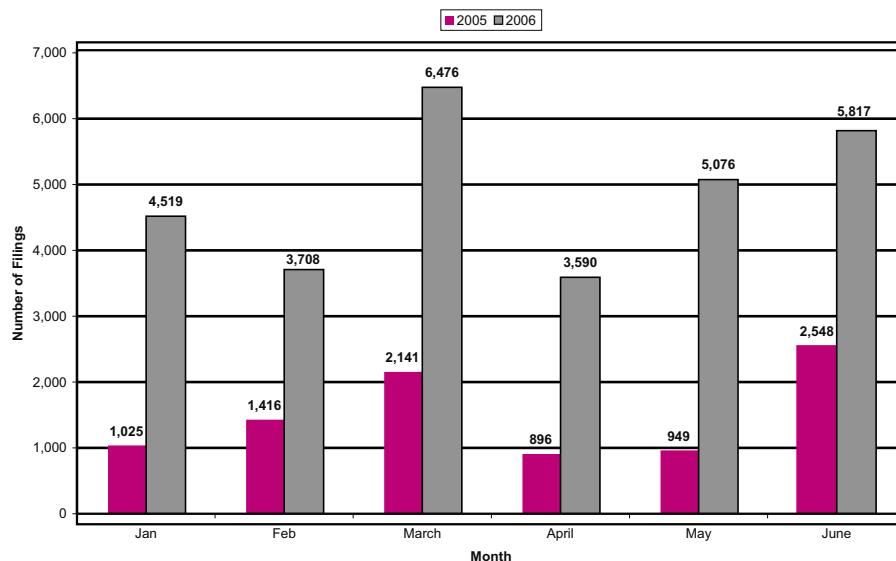
As of June 30, 2006, over 65,000 secondary market disclosure filings containing 80,806 documents have been filed through www.DisclosureUSA.org. Filings made during the first six months of this year increased from 8,975 in 2005 to 29,200 in 2006. Filings have been made on behalf of issuers in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and Guam.

Many industry organizations, including the National Federation of Municipal Analysts, The Bond Market Association, Investment Advisors Association, the National Association of Independent Public Financial Advisors and the National Association of State Treasurers have issued resolutions endorsing DisclosureUSA and urging all issuers and their dissemination agents to use DisclosureUSA for all relevant disclosure filings. Some organizations are urging the Securities and Exchange Commission take steps to require issuers to use DisclosureUSA to transmit all filings made pursuant to SEC Rule 15c2-12 to the NRMSIRs and SIDs.

The benefits of using **DisclosureUSA** are numerous. The include allowing issuers, free of charge, to:

- Meet filing requirements of SEC Rule 15c2-12 by filing with one entity instead of the numerous NRMSIRs and SIDs, saving time and money;
- Utilize electronic submission capabilities;
- Receive a return receipt via e-mail from **DisclosureUSA** when you make a filing;
- Have your filing forwarded to the NRMSIRs and if applicable SIDs with return receipts by these entities posted to the website to document your filing compliance
- Establish an "e-mail reminder" system through the Web site to remind issuers when filings are due;
- Receive an email any time anyone makes a filing for your bond issues through DisclosureUSA;
- Have your filing listed in DisclosureUSA's Central Filing Index which is available to the general public.

DisclosureUSA Filing Comparison



Businesses / Industry Tax Reform in Ohio

Major Components of Tax Reform Plan

Provided by Ohio Department of Development (For more information, contact, John Mlckovsky, Ohio Department of Development, (614) 466-2116)

Tangible Personal Property Tax

The tangible personal property tax - a property tax placed on physical property used in the general operations of a manufacturing or service-based business - is a revenue source that is utilized for funding a wide variety of governmental activities. However, this tax is widely viewed as a disincentive to capital investment and, as a result, is a roadblock to increases in personal and business productivity, income growth, and job creation in Ohio.

The tax reform plan mandates the elimination of the tangible personal property tax after the taxpayer's tax year 2008. The first step to accomplish this goal is the elimination of the tax on manufacturers' machinery and equipment placed in service in Ohio on or after January 1, 2005. The second step is to stabilize the listing percentage of existing general business tangible personal property at 18.75 percent (Tax Year 2006), then reduced to 12.5 percent in Tax Year 2007. The percentage will fall to 6.25 percent during Tax Year 2008, and then to 0 percent as of Tax Year 2009.

Corporate Franchise Tax

The corporate franchise tax (CFT) – an excise tax on a corporation's net income, or "book value of assets" – was known as a fair, practical source of revenue for state and certain local governments. However, over the course of fifty-years, structural changes in the state's economy combined with the proliferation of legal tax planning techniques has transformed the corporate franchise tax into a revenue source that is unproductive and inequitable with a high top marginal rate, a low rate of revenue collection, and numerous tax loopholes.

Therefore, the tax reform plan mandates the elimination of the corporate franchise tax. To accomplish this goal, the CFT will be phased-down by 20 percent per year over a five-year timeframe,

with complete elimination of the tax by the end of Tax Year 2009. The following is a summary of the reduction schedule:

- Tax Year 2005 = 80 percent of the net calculated corporate franchise tax
- Tax Year 2006 = 60 percent of the net calculated corporate franchise tax
- Tax Year 2007 = 40 percent of the net calculated corporate franchise tax
- Tax Year 2008 = 20 percent of the net calculated corporate franchise tax
- Tax Year 2009 = TAX ELIMINATED

Personal Income Tax

The state personal income tax - an adjusted net income tax on individuals, small businesses, estates, and trusts - was first enacted in 1971 as a state revenue source. When first enacted in 1971, the tax had a rate schedule comprised of six brackets, with a bottom rate of 1.0-percent on income under \$5,000 and a top rate of 3.5-percent on income over \$40,000. By 2005, this rate schedule had grown to encompass nine brackets, with a bottom rate of 0.712-percent on income under \$5,000 and a top rate of 7.5-percent on income over \$200,000.

The Ohio tax reform plan calls for a reduction and restructuring of the state's personal income tax. The main feature of the tax reform plan is a 21 percent reduction in the Ohio income tax rate schedule. This reduction, phased-in over five years at 4.2 percent per year, will result in a new top rate of 5.95 percent, which is a 21 percent reduction from the current top rate of 7.5-percent. In addition, the tax reform plan calls for the re-establishment of an accumulated trust income tax, the development of a new higher education grant program and the implementation of a new low-income tax exemption program.

Commercial Activity Tax

The Ohio tax reform plan calls for the implementation of a replacement business tax to help replace forgone state and local revenue resulting from the elimination of the tangible personal property tax on general businesses. This new tax – the commercial activity tax, or CAT– is an annual tax on the net gross receipts of a businesses' activity within the state of Ohio. The CAT possesses a low rate (0.26 percent of gross receipts), a broad base (corporations and small business), and limited exemptions/credits (only four tax credits). As designed and structured, the CAT will not unfairly shift the tax burden to either businesses or individuals or unduly burden any one business sector or size of business within the state.

Under the tax reform plan, the CAT became effective beginning July 1, 2005. However, the full weight of the tax will be phased-in over a five-year period, at approximately 20 percent per year, with full implementation by April 1, 2009.

SEE OFIN IN ACTION!

*If you have ever wanted to see OMAC's
Financial Information Network
in person...*

NOW is your chance!

You can see and try the system yourself at any of the conferences listed below. OMAC personnel will be manning a booth at the conferences, so please stop by and see the benefits of the website; access to which is **free** to the subdivisions of Ohio.

**Government Finance Officers Asso.
Annual Fall Conference
September 13 – 15**

**Ohio Asso. of Public Treasurers
Annual Conference
October 4 – 6**

See the back page of this newsletter for the conference locations and association contact information.

Announcements



Emma Katherine Hart

Was born on April 6, 2006 to OMAC Revenue Analyst Jason Hart and his wife Michelle. This is the first child for Michelle and Jason.

Amy Booker

A recent graduate of the Beaumont School in Cleveland Hts. Amy will be attending Miami University in Oxford, Ohio this fall, majoring in Diplomacy and International Affairs.

Amy is the daughter of OMAC General Obligation Analyst Margie Booker and husband Dean.

Natalie Weiss

OMAC Senior Analyst Linda Weiss and husband Ed recently announced the engagement of their daughter Natalie to Michael McLendon.

Natalie has worked part time for OMAC for over 8 years. A graduate of Kent State University, Natalie is currently interning in the legal department at Cuyahoga Community College while she completes paralegal studies.

Basic Tax Structure, Ohio and Comparison States

Comparisons as of January 1, 2006; Ohio Tax Reform

	OHIO <i>AFTER TAX REFORM</i>	INDIANA	KENTUCKY
Personal Income Tax	<ul style="list-style-type: none"> Income under \$10,000 exempt Bottom effective rate of 2.348% on income over over \$10,000 Top rate of 5.925% income over \$200,000 	<ul style="list-style-type: none"> Flat rate of 3.4% 	<ul style="list-style-type: none"> Progressive, with 6 brackets; Bottom rate of Top rate of 6.0% on over \$75,000
Corporate Income / Franchise Tax/ Business Tax	ELIMINATED	<ul style="list-style-type: none"> Flat rate of 8.5% Apportionment factor, double weight sales 	<ul style="list-style-type: none"> Either 7.0% on income over \$100,000, alternative receipts tax, or \$175 fee Apportionment factor weight sales
Tangible Personal Property Tax	ELIMINATED	<ul style="list-style-type: none"> Assessed at 100% of market value; Tax rate in dollars per \$100 in market value Tax rate equal to sum of all applicable levies 	<ul style="list-style-type: none"> Assessed at 100% of market value; Tax rate in dollars per \$100 in market value Tax rate equal to sum of all local levies; State rate dependent on classification of property
Real Property Tax	<ul style="list-style-type: none"> Assessed at 35% Tax rate in mills Tax rate equal to sum of all applicable levies No state tax 	<ul style="list-style-type: none"> Assessed at 100% Tax rate in dollars per \$100 in market value Tax rate equal to sum of all applicable levies State tax of 1 mill 	<ul style="list-style-type: none"> Tax rate equal to sum of all local governments levies taxing many classes of property
State Sales Tax	<ul style="list-style-type: none"> Rate of 5.5% Food, prescription drugs exempt Manufacturing property exempt 	<ul style="list-style-type: none"> Rate of 6.0%; Food, prescription drugs exempt Manufacturing property exempt 	<ul style="list-style-type: none"> Rate of 6.0%; Food, prescription drugs exempt Manufacturing property exempt
Commercial Activity Tax	<ul style="list-style-type: none"> Exports out of the state are exempt Gross receipts base NO TAX under \$150,000 \$150 under \$1 million \$150, plus 0.26% over \$1 million 	None	None

Rates, After Full Implementation of Tax Reform

Reform scheduled to phase in through July 1, 2010

KEY	MICHIGAN	PENNSYLVANIA	WEST VIRGINIA
rate	<ul style="list-style-type: none"> Flat rate of 3.9% 	<ul style="list-style-type: none"> Flat rate of 3.07% 	<ul style="list-style-type: none"> Progressive, with 4 rate brackets; Bottom rate of 3.0% on income under \$10,000 Top rate of 6.5% on income over \$60,000
income			
me over e gross flat fee flat or, double	<ul style="list-style-type: none"> Flat rate of 1.9% (Single Business Tax) Apportionment by three factor, 90% sales, 5% property, 5% payroll 	<ul style="list-style-type: none"> Flat rate of 9.99% Apportionment by three factor, 60% sales, 20% property, 20% payroll 	<ul style="list-style-type: none"> Flat rate of 9.0% Apportionment factor, double weight sales
f market er \$100 in n of all on property, with ared from of tangible	<ul style="list-style-type: none"> Assessed at 50% of market value; Tax rate in mills Tax rate equal to sum of all applicable levies; Inventories are exempt from taxation 	<ul style="list-style-type: none"> Exempt from taxation 	<ul style="list-style-type: none"> Assessed by County at 60% of market value; Tax rate in cents per \$100 in market value Tax rate equal to sum of all local levies; No state tax
	<ul style="list-style-type: none"> Assessed at 50%; Tax rate in mills Tax rate equal to sum of all applicable levies; State tax of \$6 per \$1,000 	<ul style="list-style-type: none"> Assessed by each county, not by state; Tax rate in mills Tax rate equal to sum of all applicable levies; No state tax 	<ul style="list-style-type: none"> Assessed by County at 60% of market value; Tax rate in cents per \$100 in market value Tax rate equal to sum of all local levies
ugs erty drugs	<ul style="list-style-type: none"> Rate of 6.0%; Food, prescription drugs exempt Manufacturing property exempt 	<ul style="list-style-type: none"> Rate of 6.0%; Food, drugs exempt Manufacturing property exempt 	<ul style="list-style-type: none"> Rate of 6.0%, with a 5.0% tax on food; Prescription drugs exempt; Manufacturing property exempt
	None	None	None



Employee Profile



Name: Russell Book

Length of Service: 3 Years

Main Duties with OMAC:

Developing computer programs and web services in support of the products and services provided by OMAC; Assisting with the backup of all pertinent data files; Aiding OMAC employees with all basic computer problems; Assuming the responsibilities of Information Systems Manager when he is not in the office.

Education:

I graduated from Baldwin-Wallace College in May 2003 with a Bachelor of Science degree, major in Computer Information Systems, minors in Business Administration with an emphasis in Accounting and Computer Science, and an overall GPA of 3.7.

Family:

My family includes my wife Diana whom I've been married to since September of last year and our adorable three year old stray cat we rescued named Kitty.

Interests:

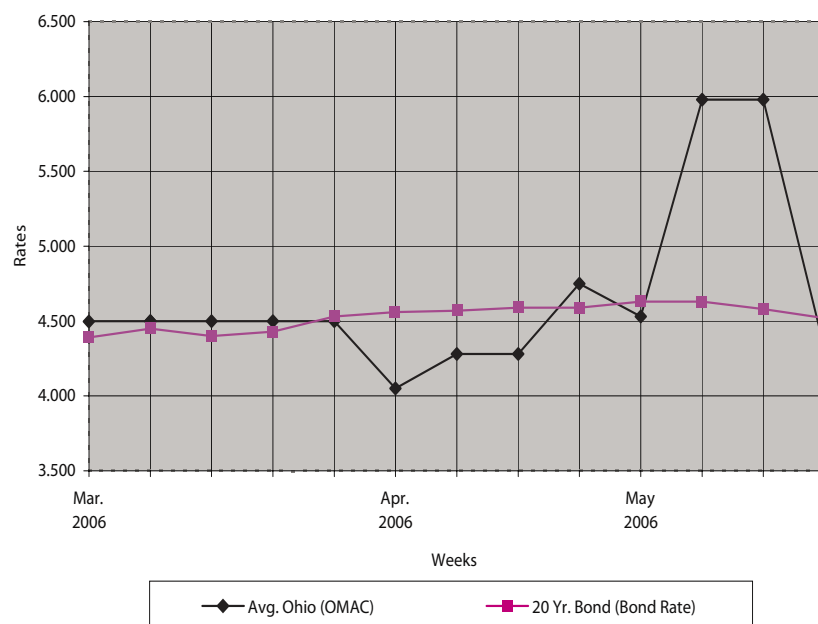
Pittsburgh Penguins and Steelers, Roller Hockey, Bowling, Tennis, and Rollerblading

MARKET UPDATE

GENERAL OBLIGATION

Note and Bond Interest Rates for March thru May

The following graph compares Ohio short-term note rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.







Ohio Municipal Advisory Council

9321 Ravenna Rd, Unit K
Twinsburg, OH 44087-2445

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CLEVELAND OHIO
PERMIT 4584

CALENDAR

Calendar of Issuer Conferences & Outings for 2006

NAME	EVENT	DATE	LOCATION
CAAO	Winter Conference	November 14 - 16	Columbus Marriott North - Columbus, Ohio
CCAO	Winter Conference Annual Golf Outing	Dec. 10 - 13 July 12	Hyatt Regency – Columbus, Ohio Oakhaven Golf Club – Delaware, Ohio
CTAO	Fall Meeting	November 14 – 16	Embassy Suites Hotel – Dublin, Ohio
GFOA	Annual Golf Outing	July 10	Dornoch Golf Club – Delaware, Ohio
	Annual Fall Conference	September 13 - 15	Hilton Netherlands Hotel - Cincinnati, Ohio
MFOA (OML)	Annual Conference Northeast Ohio Golf Outing North-Central Ohio Golf Outing	September 20 - 22 August 2 August 23	Renaissance Hotel - Cleveland, Ohio Sleepy Hollow Golf Course – Brecksville, Ohio Woussickett Golf Course – Sandusky, Ohio
NACO	National Conference	August 4 - 8	Lakeside Center at McCormack Place – Cook County, IL
OAPT	Annual Conference National Conference	October 4 – 6 July 23 – 26	Mohican State Park – Loudonville, Ohio Peabody Hotel – Memphis, TN
OSBA	Capital Conference	November 12 - 15	Hyatt Regency - Columbus Convention Center

BMA – Bond Market Association – (646) 637- 9200
CAAO – County Auditor's Association of Ohio – (614) 228-2226
CCAO – County Commissioners Association of Ohio – (614) 221-5627
CTAO – County Treasures Association of Ohio – (614) 233-6818
GFOA – Government Finance Officers Association – (614) 221-1900
MFOA – Municipal Finance Officers Association of Ohio – (614) 221-4349

NACO – National Association of Counties – (614) 221-5627
OAPT – Ohio Association of Public Treasurers – (216) 443-7814
OASBO – Ohio Association of School Business Officials – (614) 431-9116
OMCA – Ohio Municipal Clerks Association – (614) 221-4349
OPFOTP – Ohio Public Finance Officers Training Program – (330) 672-7148
OSBA – Ohio School Boards Association – (614) 540-4000

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at Chris@ohiomac.com