



Ohio Administrative Code

Rule 5703-9-08 Sales and use tax; authority to predetermine (prepay) or prearrange sales tax.

Effective: July 17, 2020

(A) Section 5739.05 of the Revised Code authorizes the tax commissioner to grant a vendor one of the following types of authority.

(1) Predetermined authority may be available to a vendor if such authority will improve compliance and increase efficiency in administering the tax. For example, vending machines cannot differentiate between taxable and nontaxable food sales, produce a record of individual sales, or separately collect tax on taxable sales. Likewise, the requirement to record and tax each individual sale at large spectator events may negatively affect the vendor's efficiency in administering the tax.

(2) Prearranged authority is designed to relieve businesses that generate large daily quantities of primary records from the administrative burden and cost associated with record storage. Only food service operators licensed under section 3717.43 of the Revised Code are eligible for this type of authority.

The tax commissioner issues predetermined and prearranged authorities under the conditions and procedures explained in paragraphs (B) to (F) of this rule.

(B) Predetermined authority

A vendor must apply to the commissioner for predetermined authority. Predetermined authority may be granted if the commissioner determines that such authority will improve compliance and increase administrative efficiency. The proportions and ratios in a predetermined agreement shall be determined by either a test check conducted by the commissioner under terms and conditions agreed to by the commissioner and the vendor or by any other method agreed upon by the vendor and the commissioner.

The commissioner may require the vendor to post a notice that the tax is included in the selling price. If sales are from isolated vending machines, notice must be posted on each vending machine.



(C) Prearranged authority

A qualifying vendor must apply to the commissioner for prearranged authority. The proportions and ratios in a prearranged agreement shall be determined by either a test check conducted by the commissioner under terms and conditions agreed to by the commissioner and the vendor or by any other method agreed upon by the vendor and the commissioner.

Compliance with the provisions of the prearranged authority requires that the vendor report and remit the tax as computed under the terms of the agreement.

(D) Vendors liability under predetermined or prearranged authority

A vendor that complies fully with the provisions of the predetermined or prearranged authority is absolved of any additional tax liability based on sales except liability from unreported sales. This relief from liability does not apply if the vendor has failed to notify the commissioner in writing of any change in business activity that would increase the tax liability.

(E) Vendors duty to notify commissioner of business changes affecting agreement

A vendor must notify the commissioner in writing, either personally or via certified mail, of any changes in the nature of the vendor's business that may affect the validity of the terms of the predetermined or prearranged agreement. At any time, the commissioner may request a review of the percentages specified in the predetermined or prearranged agreement if the commissioner believes the nature of the vendors business has so changed that it may affect the validity of the terms of the agreement.

A change in the provisions of an authorization based on a review will, upon the written agreement of the parties, become effective at the beginning of the vendor's next reporting period. An adjustment to the percentage of taxable sales because of a change in the combined state and local sales tax rate may be reflected in an amendment to the predetermined or prearranged agreement without performing a new analysis and becomes effective beginning the first day of a change in the combined state and local rate.



(F) Cancellation of predetermined or prearranged authority

A predetermined or prearranged authority may be cancelled by either the vendor or commissioner effective on the last day of the month in which the vendor or the commissioner receives, personally or via certified mail, a written notice thereof with the other party. Failure by the vendor to comply with the provisions of the authority is sufficient reason to cancel the authority and to reinstate the requirement that the vendor comply with all provisions of Chapter 5739. of the Revised Code.