



THE OHIO AUTOMOBILE DEALERS ASSOCIATION

Testimony on House Bill 466 Before

The Ohio House Ways & Means Committee

Joe Cannon, Vice President, Government Relations

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Good afternoon Chairman McClain, Vice Chairman Scherer, Ranking Member Cera and members of the committee. On behalf of our over 830 franchised motor vehicle dealers, I am here today to express our strong support for House Bill 466, sponsored by Representative Ryan Smith. This legislation would clarify that digital advertising services are exempted from sales and use tax.

First, I wanted to again express our appreciation to this committee and to your colleagues in the Ohio House and Ohio Senate for choosing not to pursue an expansion of the sales tax base on services during the recent state budget debates. You may recall that for our industry, such an expansion would have had a significant negative impact on dealership operations. The reason was that dealers use a large number of services that were targeted, including advertising. Thus we were pleased that the tax status of advertising remained unchanged. Or so we thought.

The reason we are here today supporting House Bill 466 is in response to recent Ohio Department of Taxation (ODT) audits relating to dealers' digital advertising. Examples of digital advertising would include ads dealers post on cars.com or autotrader.com. These are just a couple of examples – our dealers work with numerous other digital advertising options. Since dealers have the ability to control the data in the ads, ODT has determined they fall under the definition of an “Electronic Information Service”, which is a tax-

able service. Dealers and other businesses were enlightened regarding the taxability of their digital advertising through an information release issued by ODT in December.

It's no secret advertising is a large part of dealership expenses. In response, under ODT's release dealers are facing significant tax liability including penalties and interest going back four years! Keep in mind the advertising vendors that dealers work with invoice them for 'professional services' or 'advertising'. Why? Prior to ODT's December interpretation, digital advertising was recognized as simply another form of advertising, albeit one that is becoming far more common in the marketplace.

Besides being concerned about our liability, we are also concerned about the impact this interpretation will have on our sales. Dealers are not going to increase their ad budgets 7% in response to this interpretation. They will instead decrease their budgets, which we believe will have a negative impact on sales.

In closing, we urge your support of House Bill 466, which will put all forms of advertising on equal tax footing.

Thank for your consideration.