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House Bill 466- Sponsor Testimony
Senate Ways and Means Committee
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93rd House District
Gallia, Jackson & parts of Vinton
& Lawrence Counties

Committees

Finance, Chair
Education
Government Accountability and
Oversight

Good morning Chairman Peterson, Vice Chairman Beagle, Ranking Member Tavares and members of the committee. I am here today to offer sponsor testimony on House Bill 466. This legislation would clarify that digital advertising services are exempted from sales and use tax. After a favorable House Ways and Means committee vote of 19-0, this bill was passed out of the House by a vote of 96-0.

You may recall that during the last two budget cycles this body said no to expanding the sales tax base to include advertising services. Numerous parties appeared before you to emphasize the negative impact doing so would have had on their businesses. In response, there was overwhelming support within the legislature to retain the tax exemption on advertising services. I believed at that time the issue was addressed.

However, late last year the Ohio Department of Taxation issued an updated informational release on "Online Services and Internet Access" that has the effect of applying sales tax to digital advertising services. For example, think browsing a website in which furniture or motor vehicles are advertised. Under the release, if businesses have the access to control the digital advertisement (upload pictures, attach descriptions, etc.), it is the Department's interpretation this activity would be considered an "Electronic Information Service (EIS)," and thereby subject to tax.

Clearly, digital advertising is simply another form of advertising – and one that is becoming the norm. I am concerned that subjecting digital advertising to sales tax will reduce ad budgets, and in turn impact sales. This legislation would place "digital advertising services" into the current list of professional services that are already exempted under the definition of EIS. In effect, House Bill 466 would simply clarify that digital advertising services have the same tax status as print, radio and other forms, just as we intended during the last two budget cycles.

It is important to note that businesses are being audited on this issue and are subject to four years of penalties and interest plus back sales tax. In response, I urge swift passage of this legislation that will put all advertising mediums on equal footing and clarify again for the Department of Taxation, this legislative body is not interested in taxing advertising.

Thank you for allowing me to present sponsor testimony on House Bill 466. I would be happy to answer any questions that the committee might have.