



Testimony of Tracy Phelps

Laura Gills Interior Design – Mentor, Ohio

Ohio House Finance Committee

House Bill 49

April 5, 2017

Good morning Chairman Smith, Vice Chairman Ryan, Ranking Member Cera and members of the Ohio House Finance Committee. My name is Tracy Phelps and I am from Mentor, Ohio and I am here today testifying in opposition to the expansion of the sales tax on interior design and decorating services contained in House Bill 49.

I am a young professional making my mark on an ever-changing industry. I graduated from the Ohio State University in 2009 with a degree in Interior Design. I was told early on in my academic career to always strive for professionalism and that message was echoed when I was hired by Laura Gills Interior Design. Laura is the owner and principle designer of her small interior design company in Mentor Ohio. She is NCIDQ certified, which is the National Council for Interior Design Qualifications, and is a twice past President of ASID (American Society of Interior Designers) Ohio North. It was important for me to study under her and advance my career in the same way. I completed my NCIDQ certification last year and I am the current President of ASID Ohio North. I speak about professionalism and the growth in our industry to our over 250 members, that includes residential and commercial interior designers, industry partners and five universities.

Design Impacts Lives. This statement is one of the pillars that guide the American Society of Interior Designers. The movement of design from craft to a problem solving discipline creates dynamic tension between the visual and impact of design in a rapidly changing industry/profession, calling for a collective articulation and adoption by practitioners and clients. Our goal as interior designers is to impact and enhance the human experience. My passion for this profession and the services we provide is what called me here today.

There is no doubt that the interior design industry is growing because of residential interior design and the way to keep growth in Ohio and remain competitive is to keep the work and interior design service dollars in our state as no surrounding state has a tax on design service fees. As an example, I am currently working on a winery near the border of Pennsylvania. If we were competing with a design firm in PA, the client most likely would lean toward the company that does not have an additional 6.25% tax. In addition to the state sales tax we would also have to add a potential county piggy-back tax. This no doubt would push our cost to

almost 10% more than any out of state designer. This clearly puts us at a competitive disadvantage.

In this industry, we are constantly proving our worth to other professions. Many other industries think they can produce the same result as an interior designer. However, if you add this tax to our design service fees it would certainly give an advantage or incentive to other professions in our state who do not possess the professional background and experience. Some of those could be architects, realtors, painters, or even DIY homemakers, or homeowners. As an example, I work with extremely professional and experienced architects every day that produce excellent architectural drawings for new construction homes. However, their expertise is not the same as ours and at times what they might not consider is how the furniture will fit in the room and how the client will use the space. In our profession, we work directly with the end user and sometimes we must break the news to the customer that they will not be able to fit eight people seated in the space they created, or they will not be able to place a TV on a certain wall, or they cannot use the recliner that the husband loves.

There are 47 chapters of the American Society of Interior Designers; of those chapters 27 states, the District of Columbia, and Puerto Rico all have enacted laws regulating the profession that have created minimum standards for the industry. Unfortunately, the interior design profession in Ohio has been selected to be taxed by the administration even while the State of Ohio chooses not to certify, register, or license the industry like in most states. Because of the lack of regulation, and the overly broad definition in House Bill 49 sales tax section, there remains no state standard to determine how many, and who in or around the profession would actually be required to remit a sales tax for services. "Interior design services" as defined in House Bill 49 is an overly broad term and can include anything from an associate at a home décor store picking out pillows for a customer to a seasoned healthcare designer that creates a healing environment for children recovering from cancer at an award-winning hospital. This broad definition would no doubt result in the "back door" taxation of our services and a devaluing of work.

Members of the Committee as I mentioned, my passion for this profession and the services we provide is what called me here today. As a young striving designer, I chose this profession and to stay in Ohio because there was great potential for this industry. I, like many of the current students studying for their degree in Interior Design at many of our institutions across Ohio, fear that a tax on our services would stifle opportunities for our future in our state. Our profession is already competitive in nature and must have a balance between good design, best price, and best value. I feel that if this provision were to stay in House Bill 49, Ohio's interior designers would be placed at an extreme disadvantage and opportunities in Ohio for graduates of interior design would be drastically reduced.

Mr. Chairman and members of the House Finance Committee, Interior Designers are constantly working to improve public and private health, safety and welfare. We do so by constantly meeting ADA requirements, building and fire codes, and create sustainable designs that enhance human health. For the reasons I have outlined today I respectfully encourage you to oppose the expansion of the sales tax on interior design services contained in House Bill 49. Thank you for your time and allowing me to testify before you today. At this time, I would be happy to answer any questions.