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March 1, 2017

The Honorable Tim Schaffer
Chairman, House Ways and Means Committee
The Ohio House of Representatives
77 South High Street, 11th floor
Columbus, OH 43215

Re: House Bill 49: FY 2018-2019 Operating Budget

Dear Chairman Schaffer:

I write today on behalf of the American Society of Travel Agents (ASTA) and the more than 2,000 people who work at travel agencies in the State of Ohio to ask you to oppose extending the state's sales tax to travel agent services.

Governor Kasich's Fiscal Year 2018-2019 budget proposes to expand Ohio's sales tax to several currently-exempt service industries, including "travel agent; pre-packaged tours & other travel services." Under legislation introduced to implement the Governor's plan (HB49), the "retail sales" of "services" are to be taxed at 6.25 percent (in addition to county and transit authority taxes).

While we understand the need to modernize Ohio's tax system, we have serious concerns about the Governor's proposal to apply the state's sales tax to travel agent services, which if passed in its current form would be devastating to Ohio travel agencies. There are 355 travel agency retail locations in Ohio, contributing 2,035 full-time jobs and $85 million in direct economic impact to the state. Not only are these businesses' profit margins razor thin, they are predominantly small businesses. 67 percent of Ohio travel agencies employ fewer than 5 people, and over 85 percent operate with less than 10 employees. Based on the Governor's budget estimate of $23.2 million in new tax revenue from travel agent services in 2018, we can roughly estimate over $65,000 in new taxes every year for the average Ohio travel agency – a stunning figure.

Travel agencies' revenue is already subject to income tax, both by the State of Ohio and by the federal government. If passed, the Governor's proposal would make Ohio one of only a handful of states in the nation to impose triple taxation of this nature. Past state attempts to apply sales tax to services have proved highly controversial, and this proposal will be no exception. Other states that have attempted to apply sales tax to services – Florida (1987), Massachusetts (1990), Michigan (2007) and Maryland (2007) – ended up repealing the broadly contested taxes either before the effective date or soon thereafter.

Furthermore, Ohio travel agents are different from other service providers that compete primarily against other in-state businesses that would also be subject to this tax (landscaping, carpet installation, etc.). The typical agent competes not only with fellow Ohio agents but against a wide range of out-of-state businesses, including "brick and mortar" agents, travel suppliers (airlines, cruise lines), travel management companies and online travel companies. The Governor's proposal would put these Ohio small businesses at a competitive disadvantage with agents and companies that don't have to deal with the increased costs and administrative burdens that taxing their services would bring. Put simply, applying the state sales tax to Ohio travel agency income would directly threaten the 335 travel agency locations and 2,035 travel agency jobs in our state.

While we are under no illusions about the budgetary challenges facing state and local governments across the country, we respectfully urge you to oppose these new taxes on Ohio travel businesses, big and small.

Thank you for considering our views on this important issue. If you or your staff have any questions, please do not hesitate to contact me at (703) 739-6842 or epeck@asta.org.

Sincerely,

Eben Peck
Senior Vice President, Government Affairs & Communications
American Society of Travel Agents (ASTA)

cc: Members of the House Ways and Means Committee.