



November 14, 2017

ALL MEMBERS OF HOUSE WAYS AND MEANS COMMITTEE

BRAD COLE, MANAGING DIRECTOR OF RESEARCH

INTERESTED PARTY (WRITTEN TESTIMONY) WITH CONCERNS ON HB 177

Good morning, Chairman Schaffer, Vice Chairman Scherer, and Ranking Minority Member Rogers and members of the House Ways and Means Committee. My name is Brad Cole and I am Managing Director of Research for CCAO.

Thank you for the opportunity to submit written interested party testimony on HB 177, legislation which would exempt memberships to gyms, recreational facilities and sports clubs operated by nonprofit charitable organizations from the sales and use tax. CCAO is an interested party with concerns on HB 177.

Under a law adopted in 1992, the Ohio sales tax currently applies to gym memberships, and recreation and sports club memberships, regardless of whether such memberships are to for-profit facilities or non-profit facilities. HB 177 proposes to exempt non-profit facilities providing these services from the sales tax.

Under Ohio law, the state of Ohio, counties and transit authorities that levy a sales tax share the same tax base. This means that whenever the state broadens the sales tax base, counties benefit financially from that base broadening along with the state General Revenue Fund, and the Local Government Fund and Public Library Fund. The Department of Taxation currently collects sales and use taxes on behalf of all 88 counties and 8 transit authorities. CCAO has long supported broadening of the sales tax base because base broadening increases collections and enhances the stability of the tax.

Any legislation that proposes to narrow the sales tax base tends to raise concerns about the impact of such sales tax exemptions to county sales tax collections, and to the Local Government Fund. The fiscal note indicates a state GRF revenue loss of 7.9 million in future years, a county/transit revenue loss of \$2.0 million, and an impact of approximately \$300,000 on the two local government funds.

CCAO notes that the sales and use tax became the number one revenue source to the state GRF in 2014, surpassing the personal income tax which for over two decades had been the number one revenue source.



County Risk
Sharing Authority

Fax: 614-220-0209
www.corsa.org



Health & Wellness

Fax: 614-229-4588
www.cebco.org



County Commissioners
Association of Ohio
Service Corporation

Fax: 614-221-6986
www.ccao.org

The sales tax has long been the number one revenue source to the county general fund for virtually every county, however, similar to the state, the dependence of counties on the sales tax has grown in recent years. Due to declines in other revenue sources and healthy revenue growth in the sales tax, county reliance on the sales tax has grown from approximately 40 percent of total general fund revenues in 2007 to over 50 percent of general fund revenues now.

As Ohio pursues reform of Ohio's tax law, care must be taken to assure that the number one revenue source for the state GRF and county general funds remains broad based and capable of supporting state and county delivered services. CCAO recognizes our interdependence on a common revenue source and values the partnership counties have with the state in providing state authorized, county delivered services to Ohioans. Thank you for the opportunity to provide written testimony.