



**SHELBY COUNTY
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Good morning Chair Schaffer, Vice Chair Scherer, Ranking Member Rogers, and members of the House Ways and Means Committee. My name is Julie Ehemann, and I am a Commissioner from Shelby County and First Vice-Chair of the County Commissioners Association of Ohio. I have served on the Shelby County Commission for 8 years, and have been a local elected official for 25 years. Thank you for allowing me the opportunity to speak today in support of House Bill 571.

Ohio's 88 counties serve as branch administrative offices of the state by providing vital services. The Ohio Revised Code gives counties specific responsibilities, including elections, justice and public safety, infrastructure, and human services. County commissioners, executives and council members provide funding and establish a budget for their operations and all the other county elected officials, including the court system, making them the nexus of all of county government and the services it provides.

Over time, State changes to the tax code have caused the permissive sales tax to become the single largest revenue source for most counties' general funds. House Bill 571 is important for counties because it closes an unintended loophole in the sales tax. Although the Ohio Revised Code makes it clear that hotel lodging is subject to the sales tax, it does not specifically address the business practices of online travel agencies (OTAs) that advertise and book hotel rooms and become the merchant of record for consumers. OTAs operate in a gray area in which they are only charging sales tax on the portion of a consumer's payment that they remit to the hotel, and not on the revenue stream they keep for themselves. Given that the OTA may keep 10 – 30 percent of the price of the hotel room, counties are being deprived of sales tax revenues each time a consumer uses an OTA. Just as we have recently been reviewing the issue of prescription pricing where there is a "spread" between the amount paid to the pharmacist for a prescription that is sometimes nowhere near what is charged to the insuring employer, we can see the "spread" in this instance taking money from the consumer but not having it passed on to the taxing authority. In both cases, we have "Middlemen" seemingly abusing the system for their benefit.

Consumers are increasingly turning to the internet to arrange their travel accommodations, so it is vital that the General Assembly close this unintended loophole. House Bill 571 simply clarifies that it is the intent of General Assembly that sales tax is due on the entire amount charged to the consumer. How the consumer's payment is split between the hotel and the OTA is an issue for the market to decide and not a concern for Ohio tax law. HB 571 does not change the rate of the sales tax or extend the sales tax base to a new service, it just restates the existing basic principle in Ohio sales tax law that "price" means the "total amount of consideration" for which tangible personal property or services are sold (R.C. 5739.01(H)(1)(a)).

Thank you for allowing me to testify about this important issue. I would be pleased to answer any questions you may have.