



Sponsor Testimony on House Bill 251  
State Representatives George Lang and Brett Hillyer  
House Civil Justice Committee

HB 251

Rep. Lang:

Chairman Hambley, Vice Chair Patton, Ranking Member Brown, and the members of the House Civil Justice Committee, thank you for the opportunity to present sponsor testimony on HB 251. This legislation is a short—but significant bill. HB 251 reduces the statute of limitations for written and oral contracts from eight and six years respectively, to three years for both written and oral contracts.

As a business owner and as an attorney that works very closely with small businesses, we understand that the more certainty a business can gain, the more risks a business can take. If a business knows its liability on a contract only runs for three years, the business can take on different relationships. That business can then be certain that its current obligation will run for a period of time. This allows that business to launch capital expenditures, strategically deploy capital, and to secure appropriate risk management devices.

We are not the only people operating in the business world that believe this. Passage of this bill is a key tool to unleashing investment and commerce in our state. This bill will help Ohio to flourish and prosper.

Previously, Ohio had a fifteen year statute of limitations on written contracts. Sen. Obhof introduced SB 224 in 2011. The General Assembly passed SB 224 in 2012, the Governor signed the bill lowering the statute of limitations to eight years, and the bill was effective on September 28, 2012.

As a direct result of the passage of SB 224, Kentucky passed legislation lowering their statute of limitations. Kentucky was at the national high of fifteen years. Kentucky lowered their statute of limitations to ten years. Clearly, the competition between states to create a positive business climate is fierce.

We are not aware of any negative effects of lowering the Ohio's statute of limitation in 2012. We can only point to the actions of Kentucky to show that it was likely the correct move to make in improving business-climate. However, eight years is still too long a period for the statute of limitations. By moving from fifteen years to eight years, we have demonstrated that such an

incremental move is not devastating. Now it is time to move to a period of years that puts Ohio in a nationally competitive position.

Rep. Hillyer

A significant, tangible cost savings will result for business by removing the necessity to retain eight years of documents. More and more, document retention is becoming a cost driver for business. Limiting the need to only three years, will remove a key burden on businesses.

States that are viewed as good business states or states that are places growing jobs and economic opportunity agree with this premise. Delaware—long thought of as the gold-standard of business law—has a three year statute of limitations. North Carolina—one of the leading growth states—has a three year limitations on written and oral contracts. And we must mention Texas, as Ohio has consistently lagged economic growth behind Texas. Texas only has a four year statute of limitations. Should we not take this opportunity to gain a competitive advantage on Texas and demonstrate to entrepreneurs that Ohio is improving the business climate?

Attached is a chart that demonstrates how several other states and the District of Columbia are in relation to Ohio. Note that of the five surrounding states, two states have statutes of limitations less than Ohio. Pennsylvania leads the way at four years on all contracts; Michigan has a six year limitation on all contracts. The back of the pack are Indiana (ten years written and six years oral contracts); Kentucky is slightly better (ten years written, five years oral); and West Virginia ties for the bottom (ten years written, five years oral).

This proposal will be one more tool in the toolbox of making Ohio a state to grow current businesses, and to attract new ones. Mr. Chairman, let us continue working towards making Ohio the most business friendly state in the nation. We urge you to pass HB 251. We are happy to take any questions.



George F. Lang  
State Representative



Brett Hillyer  
State Representative

**SAMPLE OF STATUE OF LIMITATIONS ON WRITTEN AND ORAL CONTRACTS  
IN VARIOUS STATES**

State	Written Contract Statute of Limitations	Oral Contract Statute of Limitations
<i>Ohio</i>	<i>8 years</i>	<i>6 years</i>
California	4 years	3 years
<b>Delaware</b>	<b>3 years</b>	<b>3 years</b>
<b>District of Columbia</b>	<b>3 years</b>	<b>3 years</b>
Indiana	10 years	6 years
Kentucky	10 years (as of 2014)	5 years
<b>Maryland</b>	<b>3 years</b>	<b>3 years</b>
Michigan	6 years	6 years
<b>North Carolina</b>	<b>3 years</b>	<b>3 years</b>
Pennsylvania	4 years	4 years
Texas	4 years	4 years
Virginia	5 years	3 years
West Virginia	10 years	5 years