

Columbus Office

Vern Riffe Center for Government
77 S. High Street, 11th Floor
Columbus, Ohio 43215-6111

Phone: (614) 466-8100

Fax: (614) 719-0005

Email: Rep77@ohiohouse.gov

Website: www.ohiohouse.gov



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Tim Schaffer
State Representative, 77th House District

House Bill 112—Sponsor Testimony
House Financial Institutions Committee
Tuesday, April 9, 2019

Chairman Jordan, Vice Chair Hillyer, Ranking Member Smith, and members of the House Financial Institutions Committee, thank you for the opportunity to present sponsor testimony on House Bill 112.

House Bill 112 will modernize the tax code to allow for sales tax to be returned or credited back to retailers in any circumstance where customers default on their in-store credit card accounts.

We are all familiar with in-store credit cards that consumers can apply for with many retailers. When I was a child, all the major retailers had their own cards and operated the financial business of them in-house.

In more modern times, most retailers have contracted out the operation of their in-store credit cards. They have found it more efficient to engage a private label credit card company. The store logo remains on the card, but it is owned and managed by the private label. Both the retailer and the credit card company share in the expenses of the program, which includes bad debts.

In all 50 states, the laws allow retailers who own their credit card accounts to apply for a refund or credit of the sales tax when customers default on their in-store credit card accounts—no problem.

However, when a purchase is made with a private label credit card financed by a third-party lender, retailers are not entitled to a refund or credit of the sales tax already remitted to the state when the customer defaults on the debt. When the statute was written, such relationships between retailers and lenders were not envisioned.

It is important to remember that the sales tax is imposed on the consumer. Failure to refund or credit the tax to retailers when consumers don't pay their debts amounts to converting this consumption tax into a business tax. This is an inequity that has created an unfair cash flow to the state at the expense of the retailer. This costs retailers in Ohio an estimated \$8-10 million a year. Also remember that the retailer is out not only the sales tax but the cost of the product as well, but this bill only addresses the loss of the sales tax.

Ohio law needs to evolve to allow retailers to obtain a refund or a credit of the sales tax when their in-store cards are owned by a private label. This legislation addresses that need and will level the playing field between retailers that own their own card accounts and those that contract with private label credit card companies.

Similar legislation has been enacted in Texas, California, Michigan, Florida, Wisconsin, Pennsylvania and Illinois. It passed out of the House last General Assembly with an 84-0 vote and it is supported by the:

- Ohio Council of Retail Merchants
- Ohio Chamber of Commerce
- Macy's
- The Home Depot
- Kohl's Department Stores
- Synchrony Financial
- JC Penney Corporation
- Best Buy Co. Inc.
- Alliance Data Systems
- Target
- Citigroup

Passage of this bill will create a more equitable business environment for all of Ohio's retailers, which employ many thousands of Ohioans. One in four jobs in Ohio is supported by the retail industry.

Once again, thank you Chairman Jordan and the members of the House Financial Institutions Committee for the opportunity to present testimony on House Bill 112. I will be glad to answer any questions at this time.