



October 29, 2019

HOUSE WAYS AND MEANS COMMITTEE

OPPONENT TESTIMONY FOR HOUSE BILL 196 (WRITTEN ONLY)

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Good afternoon, Chair Merrin, Vice Chair LaRe, Ranking Minority Member Rogers, and members of the House Ways and Means Committee. My name is Jon Honeck and I am a Senior Policy Analyst for CCAO.

Thank you for the opportunity to submit written opponent testimony on HB 196, legislation which would exempt memberships to gyms, recreational facilities and sports clubs operated by non-profit organizations from the sales and use tax. CCAO is opposed to HB 196.

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 196 proposes to exempt non-profit facilities providing these services from the sales tax.

CCAO opposes this bill because the sales tax is the primary revenue source for the general fund of most counties. Counties use their general fund to support basic services such as the criminal justice system. Counties and transit authorities that levy a sales tax share the same tax base as the state. This means that any legislation that proposes to narrow the sales tax base raises concerns about the impact of such sales tax exemptions on county sales tax collections. The fiscal note indicates a state GRF revenue loss of \$8.3 million in future years and a county/transit revenue loss of \$2.0 million, which will increase by 3.5 percent annually. There will also be a small loss to the Local Government Fund.

HB 196 would overturn a provision in Ohio tax law that has stood for nearly thirty years. The tax on gym memberships should be considered in the context of the wide array of tax advantages that non-profits receive, including exemptions from federal, state, and local income taxes, state business taxes, local property taxes, and sales taxes on purchase of equipment. Other services provided by nonprofits, such as children's day



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camps or early learning classes, are tax exempt. Current law is a reasonable effort to include a discretionary service in the sales tax base and we urge the committee to maintain it.

Thank you for the opportunity share the views of CCAO on HB 196.