

THE OHIO COUNCIL OF

Retail Merchants

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Proponent Testimony on House Bill 135 House Ways & Means Committee

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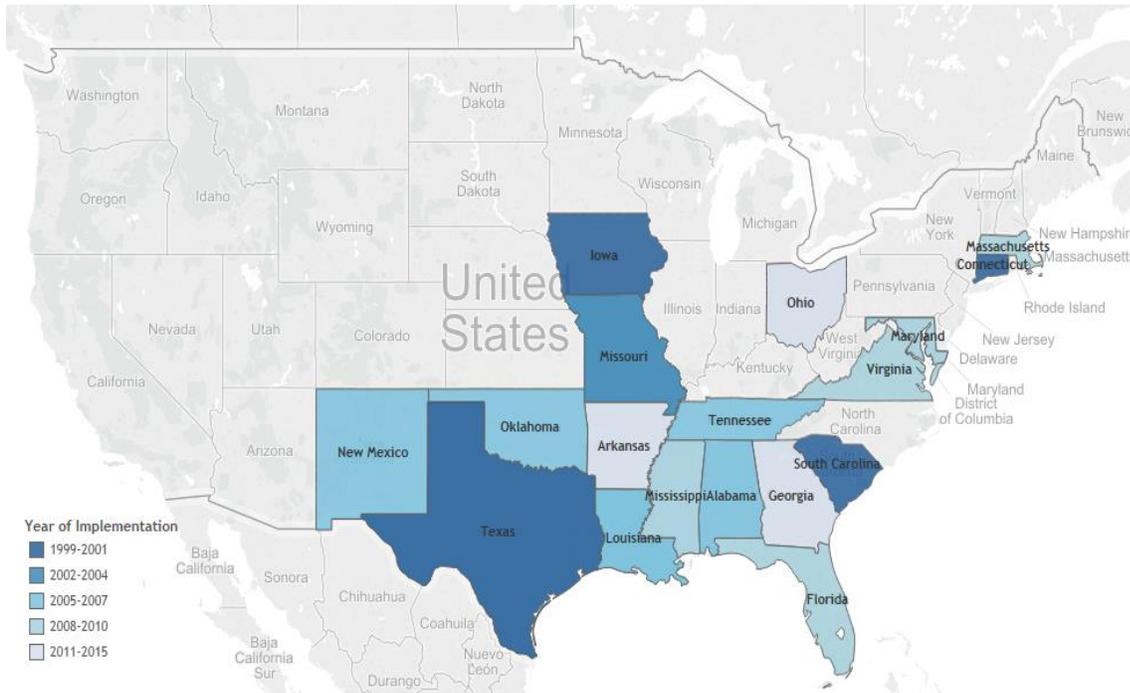
Good afternoon Chairman Merrin, Vice Chairman LaRe, Ranking Member Rogers and members of the House Ways & Means Committee. I am Lora Miller, Director of Governmental Affairs & Public Relations for the Ohio Council of Retail Merchants. I am here today on behalf of our more than 7,500 members in support of House Bill 135 to increase the price cap to \$100 on items exempt from sales tax during Ohio's annual sales tax holiday the first Friday, Saturday and Sunday of every August and to add laptops, netbooks and tablets priced up to \$2,000 each. Thank you for this opportunity to speak to you today.

Back in 2013, Focus on Ohio's Future, the research arm of the Ohio Council of Retail Merchants, asked the University of Cincinnati Economics Center to examine the impacts of a proposed back-to-school sales tax holiday over the course of one weekend in August. The proposal included clothing and footwear valued at \$75 or less per item and school supplies and school instructional materials valued at \$20 or less per item. The result of the Economics Center's analysis was an estimate that the state of Ohio coffers would likely "break even."

Ultimately, Senator Bacon's Senate Bill 243 was enacted into Ohio law, which led to Ohio's first sales tax holiday. The holiday was conducted from Friday, August 7 through Sunday, August 9, 2015. Subsequently, we asked the Economics Center to do a post-holiday analysis to determine the actual impact the holiday had on Ohio's economy. The result was that of Ohio's August 2015 sales revenue, the Economics Center attributed 12.64% to the three-day holiday period. They estimated that over \$46 million of tax-exempt sales were made on eligible back-to-school goods.

When the Economics Center compared the actual retail sales data from August 2015 to what they had forecast, they determined that sales were 6.48% higher than predicted, resulting in a gross increase of \$8 million in sales tax collections. This was offset by \$3.3 million in tax revenue from exempted items that was lost, leading to a net gain of \$4.7 million of additional tax revenue. Note that the \$3.3 million offset in state sales tax collections represented a gain to consumers in sales tax savings.

Also of note was that Ohio counties that border other states that do not have a sales tax holiday experienced a 15.48% increase in county sales tax collections, compared to an increase of 4.56% in non-border counties. No other states bordering Ohio have a sales tax holiday, however, Pennsylvania does not levy sales tax on clothing. The incidence of sales tax holidays is primarily concentrated in the southern tier of states, extending up to the Mid-Atlantic states. The following map identifies the states with sales tax holidays.



When the Economics Center analyzed the data for the 2016 holiday, the findings did not mirror 2015. Given the lower than projected state and local sales tax revenues reported during the first six months of FY 2017, it came as no surprise that the Economics Center determined that non-exempt sales did not offset exempt sales in any appreciable way during the three-day holiday. The revenue differential between taxable sales and tax-exempt sales was not statistically different from zero—a virtual break even. They did, however, conclude that Ohio households saved approximately \$2.4 million as a result of the 2016 sales tax holiday.

From all accounts, Ohio's 2017 sales tax holiday was a tremendous success for consumers and retailers. Many retailers reported sales increases across all lines, all departments, not just on tax-exempt items. Retailers that don't even sell items that were exempt from the tax reported a boost in business. The same outcome was reported for 2018 as well although we do not have specific data available to us to support this.

Chairman Merrin, Vice Chairman LaRe and Ranking Member Rogers, I appreciate the opportunity to appear before you today in support of House Bill 135 to make Ohio's sales tax holiday permanent. You will be hearing from Frank Julian, a retail tax consultant and former tax counsel for Macy's, who will be able to provide greater insight from a retail perspective. Our thanks to the committee and our special thanks to Representative Antani for his leadership on behalf of Ohio consumers and businesses. I will try to answer any questions you may have.