Sponsor Testimony House Bill 419

Chairman Merrin, Vice-Chair LaRe, Ranking Member Rogers, and members of the Ways and Means Committee thank you for the opportunity to present testimony on House Bill 419. This legislation, which exempts the seasonal storage and use of non-Ohio watercraft from Ohio's use tax, will help bring more business to Ohio’s maritime and boat industries and thereby benefit many of my constituent marina owners, workers, and the communities in my district. It accomplishes this by eliminating what I believe to be a disincentive for out-of-state boat owners to utilize Ohio's marinas and the marinas' very talented workforce.

The title of this bill is slightly deceiving at first glance. To clarify, the exemption is not being given to sales taxes charged on the actual amount paid for the cost of storage or on the fees for maintenance and repair work services rendered to the boat owner, but rather the sales tax exemption would be applied to the sales tax that Ohio currently levies on the boat itself. Under the current sales tax law in Ohio, any boat registered in a state other than Ohio visiting one of our many marinas along the shores of Lake Erie for the purpose of obtaining repair work or just to be stored for the winter must pay sales tax on the boat even if a sales tax was paid in another state, and even if the boat will only be here temporarily.

For example, let's say a boat was purchased in Pennsylvania and comes to Ohio to be repaired by an Ohio marina or stored there for the winter months. Let's also say the owner purchased the boat in Pennsylvania and paid a sales tax there on the boat of 3.75%. Ohio's sales tax on a similar sale of a boat is presently 5.75%. Given this scenario, the Ohio Department of Taxation is required by our existing tax law to levy and collect the 2% difference in sales tax on the boat owner just for coming to Ohio and purchasing maintenance services or temporary storage from our marinas, despite the very limited use of our State's resources.

Under the proposed bill before this committee, this levy of the difference in state sales taxes on the boat would be eliminated. The bill does provide several criteria that must be met to qualify for the exemption: the watercraft must be an out of state watercraft, the watercraft can only be in the state for storage or maintenance purposes, the watercraft cannot be used or stored between the first day of May and the last day of September of any year, the watercraft is not
required to be registered in the State of Ohio, and the owner paid taxes on the boat to another tax jurisdiction.

LSC's research described the economic impact of the elimination of the sales tax as negligible to the local governments. However, the positive economic impact to constituents in my district would be material. Some of the maintenance projects that may presently avoid Ohio because of the tax can range from $50,000 to $100,000 in value. That amounts to real dollars to the owners and workers in these marinas – and that could be just for one boat.

Presently, the unemployment rates in Ottawa County, which is one of the two counties in my district, fluctuate seasonally from 3-4% in the spring, summer, and fall months to upwards of 6% during the winter months – the offseason of when tourists come to visit. Our community is striving to create and incentivize more year-round employment opportunities for our workers who are presently employed seasonally and find it tough to find work during the tourism off-season. This bill plays a role in that effort.

During proponent testimony, you are going to hear from marina owners who can speak about the day-to-day impact that this tax has on their business and workers.

I ask for the committee’s support and welcome any questions members may have at this time.