



N56 W17000 Ridgewood Drive  
Menomonee Falls, WI 53051

November 5, 2019

The Honorable Matt Dolan, Chairman  
Senate Finance Committee  
Statehouse  
Columbus, OH 43215

Dear Chairman Dolan and Members of the Senate Finance Committee:

On behalf of Kohl's, I write to offer our support for the language in Senate Bill 188 that would permit retailers that carry private label credit cards to apply for a credit or refund of sales tax on bad debt.

As you know, the Ohio sales tax is assessed on taxable purchases and is paid by the consumer. The retailer, acting as an agent of the state, collects the tax from the customer and remits it to the state. When a consumer uses a credit card to make a purchase, the retailer must remit the tax up front on those sales.

When retailers own their own credit card accounts, current law provides for a credit or refund of the sales tax when the purchaser defaults in making payment of the sums due and the account is written off as a bad debt. At the time the law was written, virtually all retailers owned their own credit cards, thus they were entitled to a credit of the sales tax on bad debts.

In today's world, most credit cards issued in a retailer's name are handled by third party lenders. These are called "private label credit cards." Current law does not permit the retailer or the lender to obtain a credit or refund of the sales tax when accounts are written off on a private label credit card, which results in an unfair windfall to the state

This amendment would update the credit/refund process to capture current business practices by permitting the retailer to obtain a credit or refund of the sales tax when private label accounts are written off. Similar legislation eliminating this inequity has already been enacted in California, Michigan, Pennsylvania and Texas.

As is the case with current law, this would not apply to "third party" credit cards (e.g., VISA, MasterCard, etc.). It would only apply to private label credit cards that carry the name of the retailer.

Thank you for the opportunity to share our support for this important matter of equity and fairness.

Sincerely,

Steven J. Thomas  
EVP – Chief Risk & Compliance Officer  
Kohl's Department Stores, Inc.

