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House Financial Institutions
Housing and Urban Development Committee
Sponsor Testimony
House Bill 104

Chairman Dever, Vice Chair Sprague, Ranking Member Smith, and members of the House Financial Institutions Housing and Urban Development Committee, thank you for the opportunity to present House Bill 104.

House Bill 104 will modernize the tax code to allow for overpaid sales tax to be returned to retailers.

We are all familiar with in-store credit cards that consumers can apply for with many retailers. In recent years, 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.

When a purchase is made with one of these cards, retailers must advance the sales tax to the state for items bought by consumers

with those cards, even if the customer defaults on the card and its debt.

In this circumstance, retailers are not reimbursed for the sales tax they have remitted on behalf of the consumer. Therefore, the retailer is paying sales tax on a sale that is never officially completed due to consumer default on the credit card debt.

The state retains these sales taxes and does not refund it to the retailer. This costs retailers in Ohio an estimated \$8 million a year.

In all 50 states, including Ohio, the code allows for retailers who own their credit cards to apply for a refund on the sales tax in these circumstances. However, Ohio law has not yet evolved to allow retailers to apply for a refund when their in-store cards are owned by a private label. This is an inequity and it has created an unfair cash flow to the state at the expense of the retailer.

This legislation will allow retailers to apply for a sales tax refund for purchases made on these private label credit cards when customers fail to pay their bills and it makes the practice consistent with the rest of the Revised Code.

Similar legislation has been enacted in Texas, California, Michigan, Florida, Wisconsin, Pennsylvania and Illinois. It is supported by the Ohio Council of Retail Merchants.

This bill will create a more fair business environment for 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 for the opportunity to present testimony on House Bill 104 and I will be glad to answer any questions at this time.