



February 23, 2016

MEMO

TO: MEMBERS OF THE SENATE WAYS AND MEANS COMMITTEE

FROM: BRAD COLE, MANAGING DIRECTOR OF RESEARCH

SUBJECT: OPPOSITION TO SB 264 (SALES TAX HOLIDAY)

Senator Peterson, Vice Chair Beagle, and Ranking Minority Member Tavares and members of the committee, my name is Brad Cole, Managing Director of Research for CCAO. CCAO is opposed to SB 264.

SB 264 proposes to establish a permanent three day sales tax holiday each August during which sales of back-to-school clothing and school supplies are exempt from sales and use taxes. CCAO has traditionally opposed sales tax holiday legislation on grounds that such legislation could reasonably be expected to reduce county sales and use tax collections due to the sales tax holiday. CCAO has also raised concerns in previous testimony on prior sales tax bills regarding state compliance costs in administering the sales tax holiday, marketplace distortion caused by the state favoring certain products over other products, level of consumer benefit versus benefit to retail merchants, and the tax policy goal of simplifying and stabilizing the sales tax through base broadening.

Regarding the fiscal impact of SB 264, this bill provides the same sales tax exemptions on clothing (up to \$75), school supplies (up to \$20 per item), and school materials (up to \$20 per item) that the pilot sales tax holiday legislation authorized for CY 2015. Therefore, the Legislative Service Commission fiscal note on this past year's pilot should be about the same as the fiscal impact of SB 264 in 2016 (An updated fiscal note was not available on SB 264 when this testimony was being prepared). The fiscal note from December 2014 on SB 243 indicated that the state GRF revenue loss would be roughly \$13.5 million per year to the state and approximately \$3.2 million to counties and transit authorities. The revenue loss to the Local Government Fund and the Public Library Fund was estimated at about \$.5 million.



County Risk
Sharing Authority

Fax: 614-220-0209
www.corsa.org



County Employee Benefits
Consortium of Ohio
CEBCO
Counties Uniting for Affordable Health Benefits

Fax: 614-229-4588
www.cebco.org



County Commissioners
Association of Ohio
Service Corporation

Fax: 614-221-6986
www.ccao.org

CCAO is well aware that the University of Cincinnati Economics Center has prepared a research report under a contract with the Ohio Council of Retail Merchants that analyzes general sales tax data available on the Ohio Department of Taxation website. CCAO has reviewed the report and understands that this report concludes that the state, counties and transit authorities experienced growth in sales tax revenues due to out-of-state consumers buying in Ohio and possibly the purchase of additional goods during the “exuberance” associated with the sales tax holiday. While this is certainly very positive and welcome news, CCAO believes that additional data must be made available to the state and additional analysis needs to be performed by an independent source in order to verify (or not verify) the conclusions reached by the University of Cincinnati report. Specifically, CCAO supports an independent analysis by either the state or a research entity under contract with the state to perform an independent analysis of the impact of the sales tax holiday using enhanced sales tax data provided confidentially to the Department of Taxation by vendors.

During the debate on the legislation from the previous General Assembly on the sales tax holiday legislation, CCAO recommended that the sales tax holiday legislation be made a one year pilot program. CCAO remains supportive of the concept of modifying SB 264 to a one year pilot program, thus allowing for the collection of additional information from vendors in order to evaluate the fiscal impact of the holiday on state and local governments that receive sales tax revenue.

Finally, if the additional analysis performed by the state results in revenue losses to the state and local governments, CCAO supports reimbursing or holding local governments harmless for the revenues forgone as a result of the sales tax holiday. The county permissive sales tax is the number one revenue source to the County General for counties generally. CCAO hopes to protect this vital revenue source for counties as we move forward.

Mr. Chairman, members of the committee, thank you for the opportunity to testify. I would be happy to try to answer questions from the committee at this time.