



Chairman Blessing, Vice Chair Roeger, Ranking Member Martin and Members of the Senate Ways and Means Committee:

My name is Jim Taylor and I serve as Vice President of State and Local Tax for Bread Financial, formerly known as Alliance Data, in support for House Bill 223.

Bread Financial is proud to provide the private label credit card program for approximately 100 retail brand clients. Almost all of them transact business in Ohio and thus inevitably remit Ohio sales tax on private label credit card purchases that prove to be bad debt on the part of the customer. This bill is needed for a multitude of reasons.

First, it aligns bad debt sales tax refunds/deductions on private label purchases with sales tax refunds/deductions on comparable purchases. Current law permits retailers to recoup sales tax remitted on most transactions that result in bad debt, except those tied to private label credit sales. In fact, existing law permits retailers that issue their own private label credit cards to claim recoup sales tax on transactions that result in bad debt. For a vendor to receive the bill's expanded deduction, the private label credit account debt must be deductible by the lender for federal income tax purposes, and the lender must charge off the debt as uncollectible on or after July 1, 2023. This date was added to the House version to take into consideration the current operating budget.

Second, HB 223 aligns Ohio's tax code with those of other states. Accordingly, it reduces the unnecessary drain on resources that our clients and we must expend to navigate the multitude of varying states' tax laws. In addition, HB 223 will place Bread Financial, its clients, and, most importantly, Ohio cardholders, in a more competitive position relative to other states.

Finally, this legislation removes an inequity that is also an obstacle to growth. Today, Bread Financial and our retail clients indemnify the State for sales taxes that are never collected from the original purchaser. This converts the consumption based sales tax to a tax on business, which, in turn, increases the costs to do business in Ohio and impedes business growth.

While some have suggested HB 223 is a "tax expenditure" akin to a new deduction, credit or loophole for a select group of taxpayers, it is absolutely not. Instead, HB 223 is a long overdue correction to existing Ohio law to ensure that no business is required to subsidize a tax that was intended to be borne by Ohio consumers. Rather than the existing system that creates preferential business models, HB 223 will allow Ohio businesses to structure and operate in the most efficient way possible, without choosing favorites that may be less than optimal.

Chairman Blessing and members of the committee, thank you for allowing me to testify before the committee today and I am happy to answer any questions you all may have.