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December 5, 2022

Senator Louis Blessing III, Chair  
Senator Kristina Roegner, Vice Chair  
Senator Dale Martin, Ranking Member  
Senate Ways and Means Committee  
Ohio Senate

**Re: Support for H.B. 223: Sales Tax Bad Debt Deduction for Certain Private Label Credit Card Transactions**

Dear Chair Blessing, Vice Chair Roegner, Ranking Member Martin, and Members of the Committee:

I am writing on behalf of the Council On State Taxation (“COST”) in support of House Bill 223 (“H.B. 223”), which would expand Ohio’s bad debt deduction for uncollected sales taxes related to certain credit transactions (e.g., private label credit cards).

**About COST**

COST is a nonprofit trade association consisting of over 500 multistate corporations engaged in interstate and international business. COST’s objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. COST has a significant number of members that conduct business in Ohio.

**H.B. 223 Modernizes Ohio’s Bad Debt Deduction for Sales Tax**

Several decades ago, many retailers moved from using their own in-house credit cards to private label credit cards. H.B. 223 puts Ohio in the mainstream with other states such as California, Michigan, and Texas (among others) by allowing retailers using private label credit cards to deduct sales taxes collected on default transactions. This is an issue addressed in COST’s Sales Tax Systems Administrative Scorecard, which is currently in the process of being updated.<sup>1</sup> In 2015, COST’s State Tax Research Institute published a research paper on this issue, by William Fox, University of Tennessee, entitled “*Sales Tax Policy Considerations for Private Label Credit Card Defaults.*”<sup>2</sup> We strongly support the Committee’s favorable consideration of the bill.

Respectfully,

Fredrick J. Nicely

cc: COST Board of Directors  
Douglas L. Lindholm, COST President & Executive Director

<sup>1</sup> For more information on the states that allow private label credit card deduction, please see our 2018 Sales Tax Systems Scorecard; available at: <https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/the-best-and-worst-of-state-sales-tax-systems-august-17-2018-final.pdf>.

<sup>2</sup> Available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/sales-tax-policy-considerations-for-private-label-credit-card-defaults.pdf>.