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DATE: March 26, 2015
TO: Members of the House Finance Committee
FROM: Toby Dick, President, Ohio Receivables Management Association (ORMA)
RE: Opposition to imposition of sales tax on debt collection services & transfer of debt

On behalf of the members of ORMA, an organization that represents over 100 small business debt collection agencies in Ohio, we would like to express our opposition to imposing the sales tax on debt collection services as well as the transfer of debt, both of which are currently part of House Bill 64.

While often vilified, debt collection is important to maintaining America's credit-based economy. Based on research from Ernst & Young, in 2013 collection agencies in Ohio:

- Recovered \$2.6 billion for creditor and government clients;
- Directly employed more than 6,000 people and indirectly influenced an additional 10,000 jobs;
- Made a payroll of more than \$305 million;
- Paid \$32 million in state and local taxes; and
- Contributed more than \$6.1 million and 27,000 hours to charitable causes in Ohio communities.

Without the recovery efforts of collection agencies, the price for goods and services would increase, credit would become more expensive and less available, and clients relying on this recovery as it is used for rent, utilities, operations, goods & services, employee salaries and benefits would be adversely impacted.

There are several important reasons why the sales tax should not be applied to debt collection services:

- Collection agency clients are attempting to recoup money that is already owed to them based on previous transactions, some of which were already subject to the sales tax. Taxing their efforts to collect, sometimes on potentially uncollectable debts, would just increase their loss;
- Current and potential clients may choose to purchase collection services from out-of-state companies instead of utilizing exceptional in-state talent, or expect ORMA members to absorb the sales tax as a cost of doing business;
- Rather than business growth, this proposal would likely force shrinkage for ORMA members. Nationally, 88% of collection agencies have 49 employees or fewer while 59% have nine employees or fewer. As an industry of small businesses, ORMA members could be faced with layoffs, payroll reductions, moving to a neighboring state, and closures.

While the goal of reducing small business and individual income tax burdens is laudable, the financial impact of applying the sales tax to debt collection services, as well as the transfer of debt, would very likely outweigh the benefit of the income tax reduction for most if not all ORMA members.

Thank you for the opportunity to express the concerns of ORMA members regarding House Bill 64. Please feel free to call me or our Executive Director, Lora Miller, with any questions you may have.

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