

Kristina Roegner
State Senator
27th Senate District



Sponsor Testimony
Senate Bill 235
Ohio Senate Ways and Means Committee
October 19, 2021

Chair Blessing, Ranking Member Williams, and Members of the Senate Ways and Means Committee, thank you for the opportunity to provide sponsor testimony on S.B. 235, which will exempt documentary service charges and income tax electronic filing fees from sales and use taxation.

The premise of SB235 is quite simple: In some instances taxes are necessary and in some instances fees are necessary. However, the state of Ohio should NOT collect taxes on fees!

The bill before you today seeks to remedy that by striking the two most common instances where Ohioans are required to pay a fee and the state then proceeds to tax that fee, and it does so while keeping the state in compliance with the Streamlined Sales and Use Tax Agreement.

The first fee addressed in this bill is the “Documentary service charge” or “doc-fees”, which are paid to the dealer at the time a car is purchased. Authorized under ORC 4517.261, this fee is the lesser of \$250 or 10% the purchase price of the vehicle¹ and has existed since at least 1949². Dealers are allowed to charge this fee for the preparation of documents required to transfer ownership of the vehicle. While consumers are fortunate that Ohio law provides guardrails limiting what dealers can charge, we are unfortunate in that the state charges sales tax on these doc-fees.

¹ <https://codes.ohio.gov/ohio-revised-code/section-4517.261>

² <https://codes.ohio.gov/ohio-revised-code/section-1317.07>

To help put the issue in perspective, consider Ohio's most-titled vehicle from 2020 – based on sales data just released from the BMV last week, this was the Ford F-150³. With 31,168 titles issued and a 5.75% sales tax on an assumed \$250 doc-fee, that's nearly \$450,000 in sales tax on doc fees for just one vehicle model. From my discussions with the Department of Taxation while crafting this bill, a tax exemption for doc-fees would save Ohioans over \$24 million dollars per year. The charging of sales tax on doc-fees is a substantial tax that slips past the eye of most Ohioans.

The second fee addressed in this bill is the income tax electronic filing fee. Yes, believe it or not, the state taxes the fee to file your Ohio taxes online. If you have ever done your state taxes online, regardless of whether you utilize TurboTax, H&R Block or any other provider, you have paid taxes on the fee to file your taxes. Let that sink in. Estimates are that this tax on the fee to file your taxes amounts to about \$8.3 million per year.

This legislation is straight-forward and will be beneficial to everyone who pays Ohio taxes online or purchases a vehicle. If members of this committee or Ohio citizens watching at home are aware of other instances of state sales taxes being charged on state mandated fees, please contact my office so we can investigate and look at a future amendment to maximize Ohioans tax savings.

I would like to thank Ray DiRossi and David Reedy for bringing this issue to my attention and for their leadership on this bill, I would also like to thank Tim Lynch and Ian Dollenmayer from the Ohio Department of Taxation, Jeffery Grim, Sam Benham and Joe McDaniels from LSC, and Ryan Culross from my office for their work on this bill.

Thank you also to every member of this committee for your thoughtful consideration of this legislation. I would be delighted to answer any questions you have at this time.

³ <https://www.cleveland.com/news/2021/10/ford-f-150-was-most-titled-motor-vehicle-in-ohio-in-2020-see-the-rest-of-the-top-10.html>