



THE OHIO AUTOMOBILE DEALERS ASSOCIATION

## Testimony before the Ohio House Finance Committee on House Bill 49

Joe Cannon, Vice President, Government Relations

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Good morning Chairman Smith, Vice Chairman Ryan, Ranking Member Cera and members of the committee. My name is Joe Cannon and I am the Vice President of Government Relations for the Ohio Automobile Dealers Association. On behalf of our over 800 franchised motor vehicle dealers – the same body that employs over 40,000 people in Ohio, collects over \$1 billion in sales tax on behalf of the state and local governments, and pays over \$80 million annually in commercial activity tax – I appreciate the opportunity to appear before you today to testify on portions of House Bill 49.

I am here today to echo leaders in both chambers in expressing our opposition to increasing the state sales tax and expanding the sales tax base to help fund a reduction in the income tax. This type of “tax shifting” is bad for our industry. Due to the high ticket items we sell, there is no industry more impacted than ours by an increase in the sales tax. Under the proposal in House Bill 49, for example, Cuyahoga County residents purchasing a \$35,000 vehicle with a tax rate that jumps from 8% to 8.5% would pay an additional \$175 in tax (total tax would = \$2975). Parts sales and the cost of vehicle service would also increase. And while all of our customers would be impact-

ed, it is important to note that our border dealers will especially find themselves at a distinct disadvantage should Ohio costs increase.

How? Under the proposal Ohio's combined state and local tax rate will be higher than any of our contiguous states. It's no secret that our industry is very competitive, which is a key consumer benefit that the dealer franchise system provides. Proximity to out-of-state dealers for parts and service is but a short drive. And while it is true that tax on vehicle purchases is based on where the vehicle is titled, it is important to note that lower tax rates will entice purchasers to cross state lines. For example, residents in northeast Ohio routinely leave to shop in PA with a lower rate in mind and the ability to benefit from a used-for-used trade-in credit, which Ohio currently does not allow. By the time they realize what tax is owed, our dealers – your constituent businesses – have already lost the sale. In our business, perception is reality.

In addition to the impact that a sales tax increase will have on our customers, it is also important to note approximately 40% of the sales tax is paid by Ohio's business community. The increase will impact the ability of our dealers to reinvest in their businesses.

In closing, we appreciate the effort to decrease Ohio's income tax. However, increasing the sales tax and expanding the sales tax base to pay for it will negatively impact our customers and our industry competitiveness, particularly along our borders. We appreciate the Legislature's previous efforts to oppose this tax shifting model and encourage you to follow the same path this cycle.

Thank you for the opportunity to testify. I will be happy to answer any questions.