May 14, 2019

Chairman Dolan and Ranking Member Sykes my name is Kelley Grealis and I am the Chief Compliance Officer and Government Relations Director for Union Home Mortgage is headquartered in Strongsville, Ohio and one of the largest independent mortgage lenders in the country.

Effective in 2014, Ohio’s tax law changed, and although the intent of law was to be revenue-neutral, that change has had a negative impact on the tax liability for mortgage lenders. With the elimination of the Dealer in Intangibles tax (DIT), businesses became subject to either the Financial Institutions Tax (FIT) or the Ohio Commercial Activities Tax (CAT). Mortgage lenders did not qualify as a “financial institution” under FIT; therefore, mortgage lenders were subject to the CAT. Additionally, under the CAT, the base amount that is taxed is larger leading to additional tax liability for mortgage lenders.

For mortgage lenders, switching to the CAT has resulted in an increase in tax liability. Although the CAT is calculated at a lower rate than the DIT, it has resulted in higher tax liability due to the definition of “gross receipts” which is used to calculate the amount of tax due under the CAT. A mortgage lender is taxed on the full value of the originated loan **plus** the gain or loss on the sale of that loan, versus simply taxing the mortgage lender on the gain when the loan is sold. Mortgage lenders paying additional tax revenue have less money to invest back into its company, new technologies, new products, etc., which ultimately negatively impacts consumers.

The original intent of House Bill 510 was to be revenue-neutral, which has not happened. Therefore, Union Home Mortgage (UHM) seeks change in the Ohio tax law that would return to the revenue-neutral concept originally intended in House Bill 510, by moving mortgage lenders to the FIT.

We would be happy to ask any question you might have.