



**Representative Thomas Hall
46th House District**

House Bill 66 Sponsor Testimony

Chairman Roemer, Vice-Chair Merrin, Ranking Member Troy, and members of the House Ways and Means Committee. Thank you for allowing us the opportunity to provide sponsor testimony for House Bill 66.

This bill makes a minor change that is of minimal fiscal consequence to the state, but will go a long way to help Ohio wholesalers. Wholesalers play a crucial role in Ohio's supply chain, and in an environment as competitive as markets today, Ohio's wholesalers need every tool at their disposal to efficiently and effectively get products to store shelves. Statewide, there are over 100 of these wholesalers in operation, accounting for approximately 700 to 1,000 jobs. By which Ohio routinely generates over \$100 Million annually through excise taxes on these operations.

Unfortunately, there are some circumstances in which wholesalers have to deal with "bad debt" that occurs when they do not recoup costs from the retailers

selling their product. As part of these costs, wholesalers are also paying Ohio excise taxes up front, namely on tobacco products. While this is not the only product these wholesalers provide to retail stores, it is the most common. We therefore have an opportunity to provide some relief to these wholesalers rather than continue to double down on the wholesalers dealing with bad debt situations, which brings us to this bill.

HB 66 provides a “bad debt refund” for tobacco wholesalers, similar to the current sales tax refund for retail bad debt. This would allow those wholesalers experiencing a bad debt to be able to claim a refund from the state for the tax they had to pay up front. To apply for a refund, a wholesaler must – within the first three years after the debt became uncollectable – submit to the Department of Taxation a copy of the original invoice, and evidence that (1) the order was filled, (2) the retailer did not pay the wholesaler for the cigarettes, and (3) the wholesaler attempted to collect the debt using reasonable collection practices. The bill also gives the Tax Commissioner discretionary authority to allow the claimant to claim a tax credit equal to the amount of the bad debt.

It should be noted that it would not be mandatory for wholesalers to file for this refund – it is merely a tool they would have at their disposal. Based on uptake in other states that have passed similar language into law, we do not anticipate it will be utilized in every circumstance. 2014 estimates from the Ohio Wholesale

Marketers Association found a likely fiscal impact of less than \$200,000, and a maximum of under \$1 million. Therefore, we also do not anticipate that this legislation would significantly constrain the state budget, and we believe these dollars would best be put to use if kept in the private sector. Chairman Roemer and members of the committee, thank you again for the opportunity to testify on House Bill 66. We welcome any questions you may have.