



Representatives Bill Reineke & Scott Lipps

Sponsor Testimony HB 569

November 27th, 2018

Reineke

Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers, and Members of the Ways and Means Committee, thank you for allowing me to present sponsor testimony on House Bill 569. House Bill 569 modifies the standards used to determine whether or not certain taxes apply to business-related electronic services.

Under current law, whenever an electronic services is purchased in conjunction with a different, nontaxable service, the electronic service is only taxable if is the primary, “true object” of the transaction and not if it “incidental or supplemental” to the nontaxable service. HB 569 makes changes the parameters to the test that determines whether or not an electronic services is the “true object”. Under HB 569, electronic services, including electronic publishing services, are not subject to sales and use tax if such services (1) were provided primarily for the performance, delivery, receipt, or use of the other service or (2) the primary benefit sought by the customer is the other, nontaxable service.

Lipps

This legislation will help address concerns with the Ohio Department of Taxation’s current interpretation that these taxes can be applied to various electronic information services (EIS) and automatic data processing (ADP). Under ODT’s interpretation electronic services such as subscription services, online chat features, mass emails, credit reports, internet access, webinars, payroll processing, billing services, and more are subject to sales and use taxes. This bill would help ensure that these services remain exempt from ODT authority when primary, “true object” of the service transaction is the receipt of personal and professional services.

This bill was originally included in the Operating Budget, but was vetoed by Governor Kasich, due to its provision making it retroactive to 2007. As this was the primary argument for the Governor’s veto, we have drafted this legislation to not be retroactive. The goal of House Bill

569 is to relieve the burden on Ohio tax-payers and small businesses. This would create a more business friendly environment across the state.

Thank you for allowing us to have the opportunity to testify today on this issue, we would be happy to answer any questions you have at this time.