



Chair Rep. Nan Baker
House Economic and Workforce Development Committee
HB 343 – Proponent Testimony
Provided by Bryan C. Williams
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Chair Baker and members of the House committee on economic and workforce development, my name is Bryan Williams. I am here on behalf of the Associated Builders and Contractors of Ohio. ABC is a professional association of commercial builders who promote free market business principles and laws which directly affect the economic and workforce strength in Ohio. I represent all three Ohio chapters of ABC.

ABC of Ohio is a strong proponent of HB 343. We thank the sponsors, Representative Young, Representative Romunchuck and the ten co-sponsors for bringing this bill forward.

In 1993 Ohio expanded the services subject to Ohio's sales tax law to include services provided by labor leasing or job placement companies. That policy was unwise then and remains so today. Ohio would benefit economically from the repeal of the sales and use tax application for the reasons given previously by the sponsors of the bill, Dan Navin of the Ohio Chamber of Commerce, Luke Harms for the Ohio Manufacturers' Association and businessman Tom Erb.

During the most recent recession our friends at the Ohio Department of Taxation utilized ambiguous language in the current law to further expand the application of Ohio's sales and use tax law to actually attempt to assess sales tax on the wages earned by the leased workforce. These efforts are the subject of ongoing litigation.

I think it important to know the Ohio legislature never adopted a policy to assess sales tax on the hour wages of workers. But an ambiguous statute coupled with a deep recession sent our tax department riffling through the seat cushions for additional tax revenue. The procedure is a reckless drag on our economy. It penalizes, and therefore reduces, employment and wages. With the recession over, the practice should be stopped immediately.

Who in Ohio knows that our state is currently charging sales tax on both the worker and employer portions of the workers' compensation payroll tax, unemployment compensation payroll tax, social security tax and Medicare tax? Why in the world would the legislature ever adopt a law that requires workers and employers to pay a tax on a tax? The answer is they never did. Our bureaucracy has stretched the meaning of a statute to include assessing a sales and use tax on hourly wages as well as the administrative service fee charged to provide the leased labor.

What's more, who would publically defend such a confiscatory practice? Apparently no one. In the five hearings held thus far, no one has stepped forward to publically defend this policy. Why is that? It's indefensible. The practice is an embarrassment to a state that needs to appear more economically competitive and worker friendly.

The Associated Builders and Contractors of Ohio recommend you pass HB 343 and fix this mistaken practice.

And just so there is no confusion, construction labor leasing companies provide their employees with health insurance, 401K saving plans which are vested from dollar one, paid sick leave and paid vacation pay. These are well compensated employees who have their job prospects and wages suppressed by the unwise practice of collecting a sales tax on their pay.

The relief you can provide Ohio's economy and the workers affected cannot come too soon.