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February 9, 2016

TO: MEMBERS OF HOUSE ECONOMIC AND WORKFORCE DEVELOPMENT COMMITTEE
FROM: GARY LEE, UNION COUNTY COMMISSIONER
SUBJECT: CONCERN OVER FISCAL IMPACT OF HB 343 ON UNION COUNTY

My name is Gary Lee, and I am a Union County Commissioner. Union County is a strong agricultural county northwest of Columbus that also enjoys the distinction of having a healthy business community with several major manufacturers operating within the county.

I am here today to express general concern of the Union County Commissioners with HB 343 which would exempt employment services and employment placement services from the state sales tax. Ohio's sales tax base is the same for the state and counties that levy a permissive sales tax. We know that exempting employment placement services from the tax base would have a significant negative impact on county sales tax revenues in Union County. The reason for this is we know several major employers in Union County make extensive use of employment services that are currently subject to the tax.

We have done some preliminary calculations on the loss of sales tax revenue to Union County, and we believe it could be as much as \$1,000,000 per year. We understand that statewide revenue losses could be as much as \$33 million per year for all counties and transit agencies. (Source: Fiscal Note prepared by Legislative Service Commission.)

Union County's financial recovery from the 2007 – 2009 recession was based primarily on growing sales tax revenues which helped to counterbalance revenue losses attributable to losses in local government funds, tangible personal property tax reimbursements, and investment income losses due to record low interest rates. Like other Ohio counties, Union County's dependence on the sales tax has grown in the past ten years as sales tax revenue has shown healthy growth while most other revenue sources have declined or at best been stagnant. In 2014, Union County sales tax revenue was approximately \$10.7 million out of a general fund revenues of \$20.4 million, or 52.4 percent of all general fund revenues. In 2007, sales tax revenue amounted approximately to 41.4 percent of \$19.7 million in general fund revenues.

If the state believes that the current sales tax on employment services is an impediment to business expansion, we would encourage the committee to exempt only the state sales tax (5.75%) on employment services while retaining the application of the county and transit taxes to such services. In this manner, counties and transit agencies would be largely protected from the revenue losses resulting from passage of the bill. Another option would be to reimburse counties and transit agencies for the losses incurred by exempting placement services from the sales tax.

I appreciate having the opportunity to share our concerns with the committee. I would be happy to try to answer questions from the committee at this time.



Gary J. Lee, Union County Commissioner