



# Ohio Legislative Service Commission

## Bill Analysis

Joe McDaniels

### H.B. 343

131st General Assembly  
(As Introduced)

**Reps.** Young and Romanchuk, Antani, Becker, Brenner, Cupp, Hood, LaTourette, Rezabek, Sprague, Thompson, Vitale

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## BILL SUMMARY

- Exempts employment services and employment placement services from sales and use tax.

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## CONTENT AND OPERATION

### Sales and use tax exemption for employment services

The bill exempts employment services and employment placement services from sales and use tax beginning January 1, 2016. Under continuing law, the sale or use of services is generally not taxable unless expressly made subject to the tax.<sup>1</sup> Employment services and employment placement services have been explicitly subject to the tax since 1993.<sup>2</sup>

Under current law, taxable "employment services" are transactions in which a service-provider furnishes personnel to perform work under the supervision or control of the purchaser. The personnel may be assigned to a purchaser for a short period of time or on a long-term basis. The personnel are paid by the service-provider or a third party that supplies the personnel to the service-provider. Transactions between members of an affiliated group, medical and health care services, contracting and subcontracting services, and the permanent assignment of an employee over a contract of at least one year are not taxable "employment services" for sales and use tax

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<sup>1</sup> R.C. 5739.01(B).

<sup>2</sup> Ohio Department of Taxation, "ST 1993-08 – Employment Service," available at: [http://www.tax.ohio.gov/sales\\_and\\_use/information\\_releases/st199308.aspx](http://www.tax.ohio.gov/sales_and_use/information_releases/st199308.aspx) (last accessed October 1, 2015).

purposes. Furthermore, if employment services are supplied by a third party to a service-provider, and then by the service-provider to a purchaser, only the transaction between the service-provider and the purchaser is taxable. The hallmark of employment services are personnel that work under the direction or control of a purchaser but are employed and paid by the service-provider (or a third party that provided the personnel to the service-provider).<sup>3</sup>

Current law defines "employment placement services" as a transaction in which a service-provider locates employment for a job-seeker or locates an employee to fill an available position.<sup>4</sup>

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## HISTORY

ACTION	DATE
Introduced	09-28-15

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<sup>3</sup> R.C. 5739.01(JJ).

<sup>4</sup> R.C. 5739.01(KK).

