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134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Antani

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SUMMARY

- Exempts from sales and use tax items purchased by a logistics business or its affiliates to transport completed manufactured products from the manufacturing facility to a retail facility or consumer.
- Exempts from sales and use tax items purchased by a logistics business or its affiliates to transport general merchandise and grocery products from a distribution facility to the point the products are shipped from that facility.

DETAILED ANALYSIS

Transportation equipment exemption

The bill authorizes exemptions for tangible personal property (TPP) that is used to transport certain commercial products to certain destinations. Functionally, the bill contains two such exemptions – one for transporting completed manufactured products (referred to for the purpose of this analysis as the “manufactured product transportation exemption”) and the other for transporting general merchandise and grocery products (“grocery transportation exemption”). Each is described in detail below.

Continuing law exempts from sales and use tax TPP used primarily in a manufacturing operation to produce TPP for sale, but this exemption does not apply to TPP purchased for use after the manufacturing process is complete.¹ Continuing law also exempts motor vehicles used primarily for transporting TPP by a logistics business, or components or the repair of those vehicles.²

¹ R.C. 5739.011, not in the bill, and 5739.02(B)(42)(g).

² R.C. 5739.02(B)(32).

Commonalities between the two exemptions

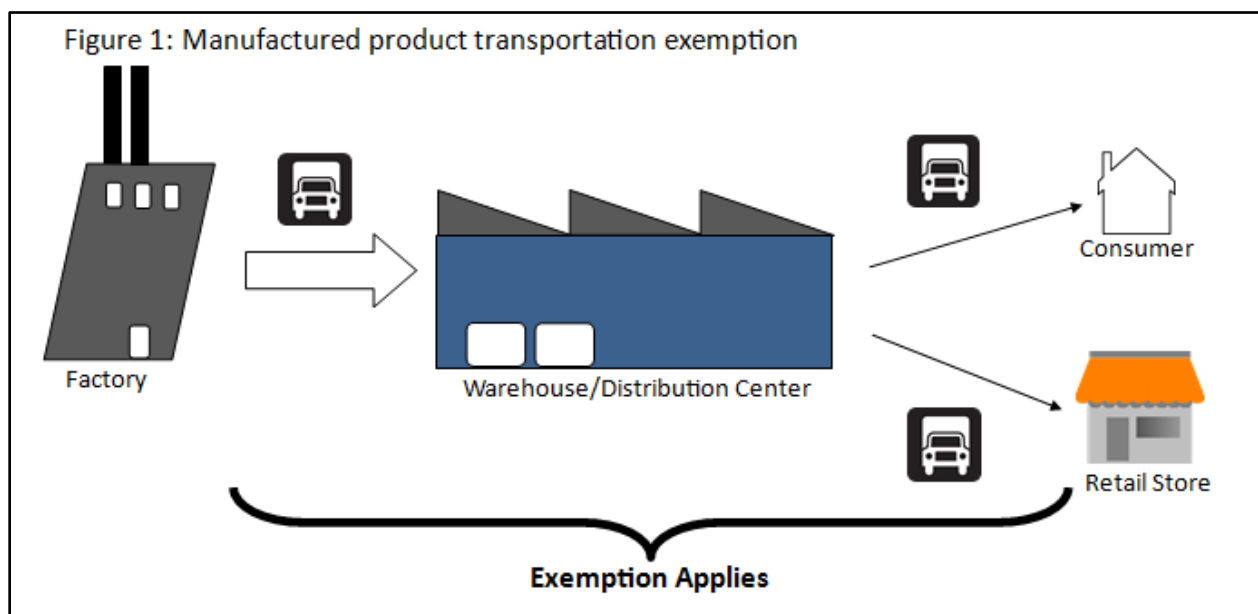
Both of the proposed exemptions apply only if the qualifying equipment is purchased by a business in either the transportation and warehousing sector or the warehouse club and supercenter sector, as classified by the North American Industrial Classification System (NAICS). The exemption also applies to affiliates of such businesses regardless of the affiliate's industry classification. The business or affiliate must be engaged in transporting TPP to destinations outside Ohio in commercial tractors and trucks operated by and either owned or leased by the business or affiliate. (The bill refers to these persons as "qualifying businesses.")³

Both exemptions apply beginning on the first day of the first full month that commences at least 30 days after the bill's 90-day effective date.⁴

Manufactured product transportation exemption

The manufactured product transportation exemption applies to sales of TPP to a qualifying business that is used primarily by that business to transport completed manufactured products from the factory to the point at which the product will be sold at retail or directly to a consumer. As illustrated in Figure 1, below, this encompasses nearly the entire supply chain of the product after its manufacture is complete.

The exemption also extends to TPP used to power or charge that qualifying transportation equipment.⁵



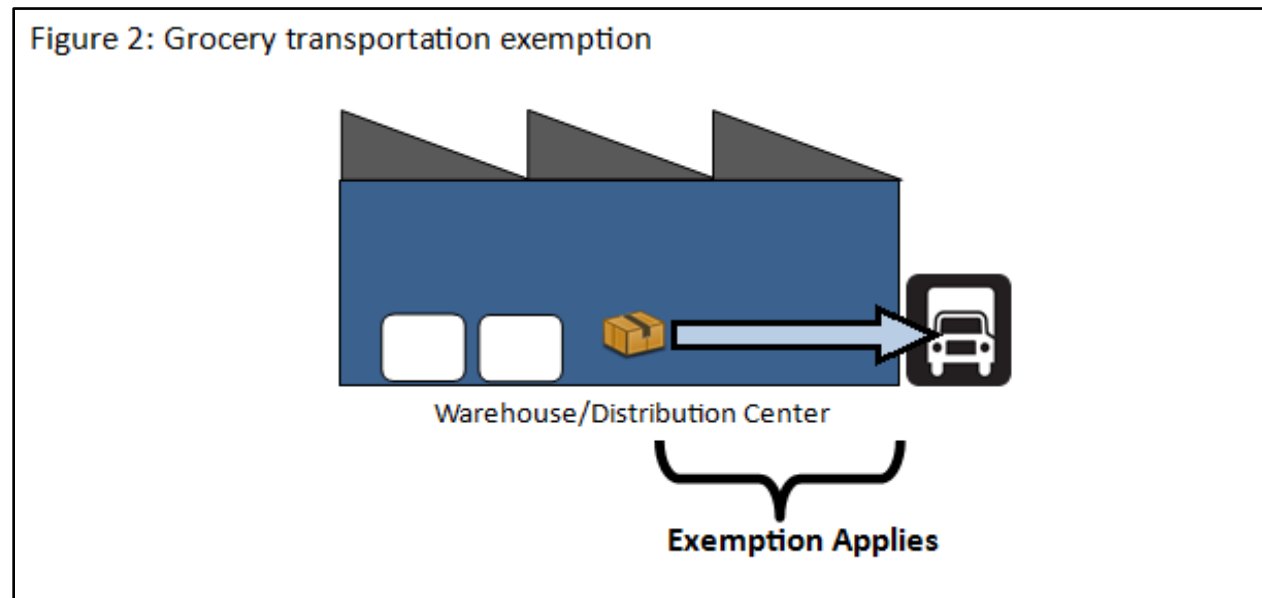
³ R.C. 5739.02(B)(57)(b).

⁴ Section 3.

⁵ R.C. 5739.02(B)(57)(a)(i) and (iii).

Grocery transportation exemption

In contrast, the grocery transportation exemption applies to sales of TPP to a qualifying business that is used primarily by that business to transport grocery items or general merchandise from within a warehouse or distribution center to the point at which those items will be shipped from that facility. As illustrated in Figure 2, below, this exemption encompasses a smaller portion of the items' supply chain in comparison to the manufactured product exemption. But similar to that exemption, the grocery transportation exemption extends to TPP used to power or charge that qualifying transportation equipment.⁶



HISTORY

Action	Date
Introduced	02-24-21

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⁶ R.C. 5739.02(B)(57)(a)(ii) and (iii).