



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 224 of the 132nd G.A.

Status: As Introduced

Sponsor: Sen. Eklund

Local Impact Statement Procedure Required: No

Subject: Sales tax exemption for goods delivered to a foreign address

State & Local Fiscal Highlights

- The bill reduces the sales and use tax base, and thus decreases state sales tax revenue and receipts from local permissive county and transit authority sales taxes. However, the potential revenue loss from the bill is undetermined.
- Under permanent law, any state sales tax revenue loss would be shared by the General Revenue Fund (GRF, 96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.

Detailed Fiscal Analysis

The bill exempts from the sales tax sales of tangible personal property to either (1) a citizen of a foreign nation that is not a U.S. citizen, or (2) an entity incorporated or created pursuant to the laws of a foreign nation, provided the property is delivered to and physically present in this state for the sole purpose of temporary storage and package consolidation, and the property is subsequently delivered to that person to a delivery address in a foreign nation.

Package forwarding is generally a shipping service offered to international online shoppers engaged in cross-country shopping when an online retailer does not customarily ship overseas. When an international customer places an online order for purchase of tangible property from such a firm in the U.S., the seller may ship the goods to an intermediary or a package forwarding company with warehouses in the U.S. The package forwarder may engage in activities such as repacking or consolidation of various orders from the buyer. Then, the buyer pays that intermediary for the overseas shipment. However, it is possible the package forwarding companies located in Ohio may also be handling tangible goods for persons residing in Ohio or who otherwise have activities in the state making those persons liable for use tax.

LSC has been unable to find publicly available business statistics on parcel forwarding companies used by buyers located in foreign countries. The bill may result in loss of sales and use tax revenue to the extent tax is collected on transactions described in the bill. Due to a lack of data, LSC cannot estimate the magnitude of the revenue loss; however, it is expected to be small.

Under permanent law, the GRF would receive 96.68% of the revenue from the state sales and use tax, while 1.66% of the receipts are transferred to the Local Government Fund (LGF, Fund 7069) and an identical share to the Public Library Fund (PLF, Fund 7065); funds in the LGF and PLF are for distribution to counties, municipalities, townships, and public libraries. The bill would also reduce the tax base for permissive county and transit authority sales taxes. Those local permissive taxes share the state sales and use tax base.