



# OHIO LEGISLATIVE SERVICE COMMISSION

Jean J. Botomogno

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## Fiscal Note & Local Impact Statement

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

**Status:** As Passed by the Senate

**Sponsor:** Sen. Eklund

**Local Impact Statement Procedure Required:** No

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

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### 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. The potential revenue loss from the bill is undetermined, but may plausibly be small.
- Under codified 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 that is not required to be registered or licensed under Ohio law to a citizen of a foreign nation that is not a citizen of the United States, provided the property is delivered to a person in this state that is not a "related member"<sup>1</sup> of the purchaser, is physically present in this state for the sole purpose of temporary storage and package consolidation for a period of not more than 60 days, and is subsequently delivered to the purchaser at a delivery address in a foreign nation. This provision applies on or after October 1, 2017.

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

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<sup>1</sup> A related member is an entity to or from whom there is attribution of stock ownership of specified amounts under R.C. 5733.042.

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. Also, because the provision is retroactive, an unknown amount of refunds may be due to taxpayers that have remitted sales and use tax since October 1, 2017. Due to a lack of data, LSC cannot estimate the magnitude of the revenue loss; however, it may plausibly be small.

Under codified 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.

The bill includes an emergency provision and would go into immediate effect if enacted.