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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 440  
133<sup>rd</sup> General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsors:** Reps. Miranda and Carruthers

Michael Hinel, Attorney

### SUMMARY

- Exempts from sales and use tax the sale of employment services if the contract personnel operate manufacturing equipment used to produce items for sale.
- Exempts from sales and use tax supplies or services used to clean or maintain manufacturing machinery.

### DETAILED ANALYSIS

#### Manufacturing sales and use tax exemptions

Continuing law exempts from sales and use tax machinery, equipment, or other tangible personal property (TPP) used primarily in manufacturing to produce items for sale.<sup>1</sup> The bill authorizes two sales and use tax exemptions for certain services and TPP used in manufacturing but not exempt under current law.

#### Exemption for manufacturing employment services

Continuing law, with certain exceptions, imposes sales and use taxes on employment services – an arrangement in which contract labor is supplied to work for a third party purchaser on a temporary or long-term basis but where the worker remains the supplier's employee. The bill exempts the sale of employment services if the personnel supplied under the service contract operate machinery, equipment, or other property that is itself exempted under continuing law's manufacturing exemption.<sup>2</sup>

<sup>1</sup> R.C. 5739.02(B)(42)(g), not in the bill.

<sup>2</sup> R.C. 5739.01(JJ).

## Exemption for manufacturing cleaning supplies and services

The bill also exempts from sales and use tax any supplies or janitorial services purchased to clean machinery or other property involved in a continuous manufacturing operation, i.e., the process by which raw materials are transformed into a manufactured product. The bill categorizes those supplies and services with other currently exempt purchases used primarily in a manufacturing operation to produce items for sale. These cleaning supplies and services are not currently categorized as tax-exempt manufacturing operation purchases, except for equipment and supplies used to clean human food processing equipment.<sup>3</sup>

### Application

The bill's exemptions apply beginning on the first day of the first month that begins at least 30 days after the bill's effective date.<sup>4</sup>

### Technical amendment

The bill makes a technical correction to a section of the sales tax law by moving a definition ("peer-to-peer car sharing program") from the end of the section to an unoccupied division elsewhere in that section. The unoccupied division was left vacant of language as a result of a gubernatorial veto of a provision in H.B. 166.<sup>5</sup> The bill does not change the taxable status of peer-to-peer car sharing services.

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## HISTORY

Action	Date
Introduced	12-09-19

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H0440-I-133/ts

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<sup>3</sup> R.C. 5739.011(B) and (C).

<sup>4</sup> Section 3 of the bill.

<sup>5</sup> R.C. 5739.01(TT) and (SSS); veto item number 22, H.B. 166.