



Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

S.B. 263*

129th General Assembly

(As Reported by S. Ways & Means & Economic Development)

Sens. Coley, Bacon

BILL SUMMARY

- Removes the requirement that certain telecommunications equipment used in direct marketing must be purchased by a direct marketing vendor in order for the equipment to be exempt from the sales tax.

CONTENT AND OPERATION

Sales tax exemption for direct marketing telecommunications equipment

Under current law, sales of certain items to a "direct marketing vendor" are exempt from the sales and use taxes. A vendor is engaged in "direct marketing" if the vendor sells products that customers order by mail, delivery service (such as FedEx), or telecommunications (e.g., telephone or Internet) and the vendor delivers or ships the products from a warehouse or similar facility by mail, delivery service, or common carrier. If purchased by a direct marketing vendor, the following items are exempt from the sales and use taxes: materials used to create print advertisements, printed materials that offer free merchandise or sweepstakes prizes, and telecommunications equipment (such as telephones, computers, and fax machines) that will primarily be used to accept orders for direct marketing retail sales.¹

The bill removes the requirement that telecommunications equipment used to accept direct marketing orders must be purchased by a direct marketing vendor in

* This analysis was prepared before the report of the Senate Ways and Means and Economic Development Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

¹ R.C. 5739.02(B)(35).

order to qualify for the sales tax exemption.² Consequently, any person who purchases telecommunications equipment that will be "primarily used to accept orders for direct marketing retail sales" may claim the exemption, regardless of whether the person qualifies as a direct marketing vendor.³ The bill does not alter the exemption for materials used to create print advertisements or for printed materials that offer free merchandise or sweepstakes prizes, which still must be purchased by a direct marketing vendor in order to qualify for exemption.

The bill states that its intent is to clarify the law as it existed prior to the bill's amendments.

HISTORY

ACTION	DATE
Introduced	11-23-11
Reported, S. Ways & Means & Economic Development	—

S0263-RS-129.docx/jc

² R.C. 5739.02(B)(35)(b) and (c).

³ Although current law provides a definition for "direct marketing," neither current law nor the bill expressly define who qualifies as a "direct marketing vendor."

