



Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

H.B. 357

130th General Assembly
(As Introduced)

Reps. Becker, Hood, Derickson, Buchy

BILL SUMMARY

- Excludes from sales and use taxation the portion of the price of an item that represents a "core" charge.

CONTENT AND OPERATION

Sales and use tax exemption of core charges

The bill excludes the portion of the price of an item that represents a "core" charge from the sales and use tax. A core charge is a charge included in the price of an item purchased to replace a used or broken item that is returned to the seller for the purpose of recycling or remanufacturing the item.

The most common example of the use of core charges is in the after-market auto parts industry. A customer may purchase a part, such as a brake caliper, to replace a worn or damaged caliper. The customer pays cash for the caliper, and a component of that price is a core charge. The core charge is returned to the customer only if and when the customer returns the worn or damaged caliper (the "core"). This practice encourages recycling of used items that can be rebuilt and reused.

Under current law, sales and use tax applies to the entire consideration paid for an item regardless of whether the payment is by cash, credit, property, or services. Accordingly, a core charge is included in the taxable "price" of the purchased item, because it represents the part of the purchase price to be paid in the form of property if the core is exchanged. The bill instead provides that, when a vendor accepts a core as part of the purchase price of an item, the taxable price of the item must be reduced by the value of the core offered in exchange for the new item. When the core is exchanged at the time of the purchase, the taxable price of the new item must be reduced at the

time of sale. If the core is not exchanged at the time of purchase, the taxable price of the new item is not reduced, but the consumer may receive a refund of the sales tax paid with respect to the core when the core is received later.¹

HISTORY

ACTION	DATE
Introduced	11-20-13

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¹ R.C. 5739.02(H)(5).

