

Publications

Governor Signs Repeal of Ohio Sales Tax on Employment Services

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As a follow-up to the Vorys *State and Local Tax Alert* issued June 29, 2021, we now can confirm that Governor DeWine signed the legislation, which officially repeals the sales tax imposed by Ohio on employment services. The tax repeal is set to begin the first full month following the Budget Bill's 90-day effective date, which means that starting October 1, 2021 employment services will no longer be a taxable service in Ohio.

In anticipation of the October effective date, businesses should now consider how the tax repeal affects their tax planning, compliance and operations. Purchasers should review their vendor contracts for possible reductions in negotiated purchase prices to ensure tax is no longer charged/paid on employment services starting in October. Purchasers also should review their direct pay permits or use tax accounts to make sure that necessary adjustments are in place for October to avoid overpaying tax and the need to file refund claims related to employment services. On the other hand, vendors should review their service agreements and related tax provisions regarding the collection of sales tax. Vendors should consider making adjustments or revisions to tax terms in these agreements so that Ohio sales tax is no longer collected and remitted for employment services starting in October.

Vorys has extensive experience in reviewing and/or drafting service agreements and contracts and can assist purchasers and vendors alike, especially in areas of tax compliance and planning. Please contact Tony Ehler (614.464.8282 or tlehler@vorys.com) or Hilary Houston (614.464.4968 or hjhouston@vorys.com) if you have any questions.