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## **Cleveland Metropolitan Bar Association Opposes Governor's Proposed 5% Tax on Legal Services**

CLEVELAND – February 25, 2013 – The Cleveland Metropolitan Bar Association strongly opposes the proposed 5% tax on legal services set forth in Governor Kasich's budget (fiscal year 2014-2015) because the tax will decrease both access to justice and legal sector jobs.

The damage to access to justice alone is reason to oppose the tax. But the tax will also cause economic damage. Both are reasons why 47 states don't have such a tax and why Florida and Michigan repealed theirs.

### ***Providing Access to Justice is an Essential Service***

The Governor's budget provides for a 5% tax on services that his administration deems non-essential. They include pet grooming, laundry and dating services. Inexplicably, legal services are included in the tax.

"Access to justice is a fundamental right and use of an attorney to exercise that right is an essential service," notes CMBA President Carter Strang. "Stopping foreclosures, keeping the falsely accused out of prison, gaining child custody, securing benefits for veterans, and obtaining divorces for abused spouses are just a few of the life-altering essential services that our attorneys provide. A 5% tax on legal services will cause many Ohioans – particularly its most economically vulnerable – to forgo their legal rights or attempt to represent themselves, which is unwise in our complex legal system," Strang said.

Under the tax on services proposed by Governor Kasich, legal services for a wrongly convicted death row inmate are considered a non-essential service subject to the 5% service tax. "Such reasoning defies logic, is not grounded in sound public policy, and raises significant Constitutional questions," Strang further noted.

### ***The Tax Will Reduce Legal Service Employment***

A 5% tax on legal services will be a jobs killer for the thousands of Ohioans employed in legal services. Attorneys, paralegals, secretaries, administrators, and other staff will be hurt by the increased cost of their services.

"Companies have increasingly looked to Ohio for legal services, not only because of the excellent quality of such service, but also because the costs charged are lower than in many other states. Only Hawaii, New Mexico and South Dakota tax legal services. This tax will make Ohio less competitive for those services, and result in less work for Ohio attorneys," added Strang.

Ohio law firms – particularly those with national and international practices – will have every incentive to relocate attorneys and staff to one of the 47 states without the tax. A tax on legal services will be another cost of doing business in Ohio that may dissuade companies from relocating here.

The tax will be particularly unfair to small businesses, which Governor Kasich says he is trying to help through his budget. Businesses large enough to have their own legal departments will avoid the tax on the work done by their attorneys, while smaller ones – which typically cannot afford their own legal departments – will have to pay it.

The tax will also create significant compliance and enforcement issues. Lawyers – who are legally obligated to collect the tax paid by their clients and hold it in trust for payment to the State of Ohio – will incur increased administrative costs and face potential liability from the State of Ohio and/or clients about the amount due and collected. Determining the amount of tax due will be particularly difficult for complex multi-state transactions. And, the state auditing of attorney records raises attorney-client privilege and other issues.

***Growing Ohio***

“The Cleveland Metropolitan Bar Association is committed to making our city, region and state stronger. While we are sympathetic to Governor Kasich’s desire to grow Ohio’s economy, taxing legal services is the wrong way to do it. It will not create a better Ohio; rather, it will harm Ohio citizens, businesses and legal service providers,” said Strang.

**About the CMBA**

The nonprofit Cleveland Metropolitan Bar Association operates as a center for legal professionalism in the region, promoting the highest ethical and professional standards. Serving the largest legal community in the state, the CMBA has nearly 6,000 members. Learn more at [www.clemetrobar.org](http://www.clemetrobar.org).

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