



THE WHOLESALE BEER AND WINE ASSOCIATION OF OHIO

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WBWAO.ORG

House Bill 49
Ohio House Committee on Finance
Representative Ryan Smith, Chairman
April 5, 2017

Opponent Testimony of the Wholesale Beer and Wine Association of Ohio
Jacob C. Evans, Counsel for Legislative Affairs

Chairman Smith, Vice Chair Ryan and Ranking Minority Member Cera, on behalf of Ohio's beer and wine wholesale distributors, I appreciate the opportunity to express their opposition to the proposed 70% increase in the excise tax on beer and wine, and associated tax policy changes, contained in the current version of House Bill 49. My name is Jacob Evans and I serve as Counsel for Legislative Affairs with the Wholesale Beer and Wine Association of Ohio (WBWAO). The members of the WBWAO are family owned beer and wine wholesale distributors, many in their third or fourth generation of family leadership, and employ roughly 5,000 Ohioans.

As proposed, House Bill 49 would make the following changes as it relates directly to beer and wine¹:

1. 70% increase on the excise tax on beer under 12% alcohol by volume (ABV) from \$0.18 per gallon to \$0.305 per gallon; and,
2. Create a new category with a 456% increase on the excise tax on beer over 12% ABV from \$0.18 per gallon to \$1.00 per gallon; and,
3. 70% increase on the excise tax on wine under 14% ABV from \$0.32 per gallon to \$0.53 per gallon²; and,
4. 70% increase on the excise tax on wine over 14% ABV³ from \$1.00 per gallon to \$1.69 per gallon; and,
5. Reduce the excise tax exemption available to brewers from 1,000,000 barrels to 10,000 barrels, a reduction of 90%⁴; and,
6. Remove the credit for early payment of the excise tax by brewers and some wine permit holders.

The proposed increases would give Ohio the highest excise tax rate amongst our border states on beer under 12% ABV (15th highest nationally), on beer over 12% ABV (3rd highest nationally) and on wine over 14% ABV (4th highest nationally). Ohio's excise tax rate on wine under 14% ABV would be the third HIGHEST amongst our bordering states (31st highest nationally). Our current rates are not only competitive amongst our neighbors, but rank near the middle nationally (beer is 29rd highest; wine under 14% ABV is 39th highest and wine over 14% ABV is 12th highest).

These proposed changes will only exacerbate cross border sales issues. Wholesale distributors are a volume based business; small changes in sales over a given area have real consequences to WBWAO member businesses. As sales migrate across state lines, the reduction in volume leads to a reduction in the number of cases on truck for a given route. This results in a consolidation of routes. Fewer cases means fewer warehouse employees for loading and unloading product and fewer routes means fewer drivers. In short, fewer employees.

Assertions that this is merely “a penny per serving” increase fail to recognize basic economic principles, as well as the numerous tax and tax policy changes included in the same bill. In addition to the excise tax change, the tax policy changes to the brewers on both the excise tax exemption and/or the early tax payment credit, result in a necessary increase in the cost of goods sold. Furthermore, the sales tax increase is amplified by the increase in the cost of goods sold. And, like any consumer good, price point is a necessary element of success in the marketplace. A case of beer will not merely go up \$0.29 (24 cans x \$0.012 per serving increase); it will be left to the supplier to determine the proper pricing and the potential price elasticity of the product vis a vis the consumer. The end price will likely reflect a compression of margin throughout the entire three tier supply chain.

Our members, and many others in the industry, believe that these proposed changes are unnecessary and unwarranted. Over the last 25 years, the beer and wine industry in Ohio has seen tremendous growth in terms of new breweries and wineries, which includes significant increases in employment. Part of this growth is based upon a predictable and competitive tax policy that businesses rely upon in their planning. This stability has allowed long standing businesses to continue to contribute to Ohio’s economy and new businesses to enter the marketplace. Whether new or old, all of these businesses have made significant investments in terms of facilities and employment.

We greatly appreciate the willingness of this Committee, and all Members of the House, to review the myriad of tax policy changes contained in House Bill 49. With the relatively small increase in tax revenue that is generated by these increases, we would respectfully ask that this Committee recommend the removal of these onerous taxes on Ohio businesses and Ohio residents.

Following is a graphic to show the current excise tax rates in our surrounding states and the proposed excise tax increases in Ohio.

As always, we appreciate your time and consideration of our members’ view.

¹ all rates have been converted to “per gallon” to reflect consistent comparisons based upon the current tax calculations

² Ohio’s proposed tax rate in this document also reflects the \$0.02 Ohio Grape Industries Tax that is assessed at the excise tax collection point

³ Michigan (16% ABV) and Indiana (21% ABV) have varying tax rates depending upon the ABV in wine. However, the number of wines over 16% ABV is minimal and are generally fortified. Ohio’s rate change at 14% reflects an ABV that does come into play. Traditionally, red wines such as cabernet sauvignon, Malbec and other “heavier” wines are higher ABV, and European wines tend to be below 14% ABV. Additionally, Ohio’s proposed tax rate in this document also reflects the \$0.02 Ohio Grape Industries Tax that is assessed at the excise tax collection point

⁴ the proposed change has also been discussed in gallons; for simplicity of numbers, the numbers reflect a barrel change; however, the change is from 31,000,000 gallons to 1,000,000 gallons. There are 31 gallons in a barrel.

**RESPONSIBLE ALCOHOL
POLICY COALITION**

March 3, 2017

The Honorable Cliff Rosenberger
Speaker
Ohio House of Representatives
77 S. High Street, 14th Floor
Columbus, OH 43215

ANHEUSER-BUSCH COMPANIES

DIAGEO

MILLERCOORS

Dear Speaker Rosenberger:

OHIO COUNCIL OF RETAIL
MERCHANTS

The Responsible Alcohol Policy Coalition (RAPC) is comprised of associations and companies that operate in Ohio and have the manufacture, distribution or sale of alcohol as a significant portion of their business. As you can see from the list to the left, our Coalition represents a wide variety of interests within the alcohol beverage community.

OHIO CRAFT BREWERS
ASSOCIATION

Over the last two decades, RAPC has met on a regular basis to discuss issues that have come before the Ohio General Assembly or various State Agencies. The goal of the Coalition is to have an open dialogue amongst interested parties and to try to reach consensus on many of the issues. RAPC has submitted input when all parties to the Coalition are in agreement and there is a belief that the collective opinion of the group will assist policymakers on an issue currently before them.

OHIO CRAFT DISTILLERS GUILD

OHIO GROCERS ASSOCIATION

House Bill 49, the Budget Bill, as proposed by the Governor includes a proposal to increase the excise tax on beer and wine by 70%, on high alcohol beer by 456%, remove the early excise tax payment credit for beer and wine and to drastically reduce the small brewer tax credit. On behalf of the entire industry, we are strongly opposed to all of these changes.

OHIO HOTEL & LODGING
ASSOCIATION

OHIO LICENSED BEVERAGE
ASSOCIATION

A consistent, competitive and predictable tax policy is critical for a business to grow and thrive. Ohio's beer and wine producers have operated under such policies and, as a result, Ohio has seen historic growth in its breweries and wineries. Not only have these businesses made significant contributions to Ohio's economy through employment and sales, but the investment in new facilities over the last two decades has been overwhelming.

OHIO PETROLEUM MARKETERS
AND CONVENIENCE STORE
ASSOCIATION

OHIO RESTAURANT
ASSOCIATION

OHIO SPIRITS ASSOCIATION

Furthermore, statements such as "this is merely a penny increase per serving" ignores the ramifications all tax changes have on the price of the product, as well as the critical retail price point. The proposed tax changes will result in more than "a penny per serving" increase as alleged.

OHIO WINE PRODUCERS
ASSOCIATION

The opposition by the thousands of businesses represented by the members of the Coalition is unequivocal: increased tax burdens on businesses, large and small, and their consumers is punitive and provides very little return to the State of Ohio.

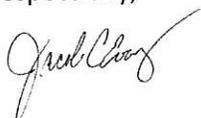
WHOLESALE BEER AND WINE
ASSOCIATION OF OHIO

We respectfully ask that the language in HB 49 regarding beer and wine excise taxes, tax credits and tax exemptions be removed.

WINE INSTITUTE

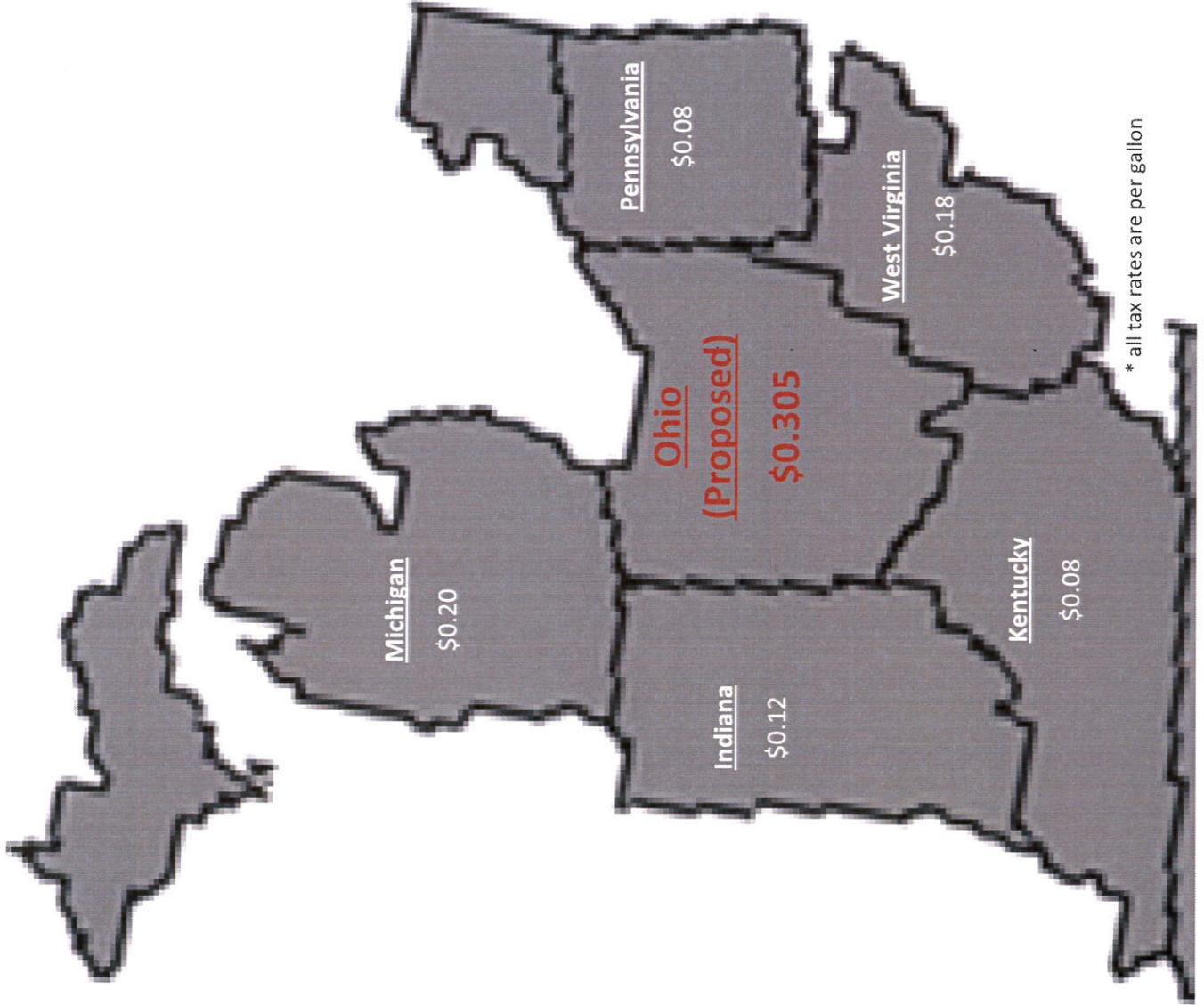
Should you have any questions or need additional information, please do not hesitate to contact me or anyone else in the coalition.

Respectfully,



Jacob C. Evans, Chair

HB 49: Proposed 70% Beer Excise Tax Rate Increase on Ohio's Consumers



Regional Rank
(Highest tax to lowest)

State

*Ohio	1
Michigan	2
West Virginia	3
Indiana	4
Pennsylvania	T5
Kentucky	T5

*The proposed tax increase would make Ohio the HIGHEST beer excise tax in our region, and the 15th HIGHEST nationally

Ohio (Current)

At a rate of \$0.18 per gallon, Ohio's beer excise tax is already tied for the 3rd highest (out of 6) among our neighboring states and is 29th nationally

HB 49: Proposed 70% Wine Excise Tax Rate Increase on Ohio's Consumers



Ohio's wine gallonage tax rate varies based upon the alcohol by volume, changing the rate at 14% ABV.

Michigan goes to a higher rate at 16% ABV (\$0.76); Indiana at 21% ABV (\$2.68); Kentucky, Pennsylvania and West Virginia appear to have no change in rate. It should be noted that very few wine are above 15.5% ABV.

The proposed rates shown for Ohio include the \$0.02 Grape Industries Fund tax collected at the same time as the excise tax.

Pennsylvania is a control state for wine, similar to Ohio's control state for spirituous liquor

- all tax rates are per gallon
- ABV means alcohol by volume

State Regional Rank
(Highest tax to lowest)

- *Ohio >14% ABV 1
- West Virginia 2
- *Ohio <14% ABV 3
- Michigan 4
- Kentucky 5
- Indiana 6

*Among our neighboring states, the proposed tax increase would make Ohio the HIGHEST excise tax on wine over 14% ABV and tied for the 3rd HIGHEST in our region on wine under 14% ABV. Nationally, Ohio would be 4th HIGHEST and 31st HIGHEST, respectively.

Ohio (Current)

Among our neighboring states, Ohio's rate of \$1.00 for wine >14% ABV is the HIGHEST (tied with West Virginia) and at \$0.32 for wine <14% ABV it is the 5th highest (out of 5). Nationally, our current rates are the 12th highest and 31st highest, respectively.