

**Testimony before the
House Ways and Means Committee
Re: Beer tax increase in House Bill 49**

**By
Mary MacDonald
Executive Director
The Ohio Craft Brewers Association**

March 9th, 2017

Chairman Schaffer, Ranking member Rogers, members of the House Ways and Means Committee, thank you for allowing me to testify today on House Bill 49 and the proposed tax increases on the manufacture of beer.

As the Executive Director of the Ohio Craft Brewers Association I would like to express our organization's unequivocal opposition to the proposed tax increases. Should they be adopted, those tax increases will stifle job creation, expansion and innovation in a manufacturing industry that is currently flourishing.

I was hired by the association in September 2013 as their first executive director - another job created by the Ohio craft brewing industry! At that time we had about 3 dozen craft breweries who were members of the OCBA and somewhere around 60 operating in the state which employed hundreds of people. Fast forward three years and we have more 200 craft breweries in Ohio who employ thousands of Ohio residents. This phenomenal growth can be attributed, in part, to Ohio's business-friendly policies towards craft brewers, especially small brewer state excise and distribution tax exemptions for those brewing fewer than 9,300,000 gallons (300,000 barrels).

There is an enormous difference in scale between craft brewers and large brewers. The current system recognizes this and gives Ohio's craft breweries room to grow, reinvest and create jobs. The proposal reducing this tax exemption to only 10,000 barrels will actually offer disincentive to craft brewery growth whereas the existing tax credit has led to incredible growth of craft breweries around the state. The Ohio craft brewing industry supports 4,000 jobs and has a \$700 million impact on Ohio's economy. With 200+ craft breweries around the state and more opening daily it is an industry that is succeeding. Threatening it with new taxes will almost certainly lead to stagnation and a shrinking of the industry.

The Governor's budget proposes a 70% increase on a barrel of beer. Current tax policy taxes beer at the manufacturing stage (excise tax) and then at distribution. For high-alcohol beer, the tax increase proposed is a staggering 456% increase in each of these taxes. While some may claim that this increase amounts to pennies per serving, it creates enormous pressure on craft brewers. Many craft breweries in Ohio distribute their own beer. Under the proposed tax changes suggested by the Governor, many of these breweries would be faced with almost \$20 dollars a barrel in new taxes, or \$62 for high-alcohol beers.

These types of increases would subject craft brewers to hundreds-of-thousands of dollars in new taxes, which they simply cannot afford.

Ohio's current tax code has afforded Ohio craft breweries with the breathing room they need to create jobs and be successful. Ohio's craft breweries currently pay between tens of thousands to millions of dollars in fees in the forms of licenses, registration, income taxes, sales taxes, and other forms of revenue to the state. Subjecting these small manufacturing businesses to the punitive taxes proposed in H.B. 49 will put a significant impediment to their continued success based upon the nature of the product being created (beer). If all these breweries were instead producing ball bearings would we even be considering this diametrical revision of taxes on small manufacturing businesses? I strongly urge the House to remove these taxes in their entirety.

Thank you for your time today. I'm happy to answer any questions the committee may have.