



Representative Al Cutrona
58th Ohio House District

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the House Ways and Means Committee, thank you for the opportunity to provide sponsor testimony on House Bill 189.

This legislation is designed to accomplish two goals. The first is to exempt guns and ammo from Ohio sales tax. Any non-shotgun firearm that is 50 caliber or smaller and any shotgun that is 10 gauge or smaller would qualify for the exemption, as well as any ammunition designed for such firearms.

By removing sales tax from guns and ammunition, House Bill 189 will make the related businesses in our state more competitive with those in neighboring states. This is an opportunity to promote our rights while also helping Ohio's businesses and consumers.

Based on 2021 estimated retail sales at gun stores, the Legislative Budget Office in LSC found that exempting guns and ammo from sales tax would, on an annual basis, potentially reduce state sales and use tax revenue by between \$29.0 million and \$39.3 million. Total state sales and use tax revenue in FY 2021 was \$12.2 billion, meaning that House Bill 189 would only reduce total sales tax revenue by between 0.24% and 0.32%. This does not account for the likely growth of business as a result of this tax exemption.

The second goal is to establish a tax credit for eligible firearms and ammunition manufacturers that plan on either moving into the state of Ohio or expanding their manufacturing facilities. This tax credit will be called the constitutional commerce credit and will be administered by the Department of Development. The credit will be capped at \$10 million per fiscal year and will only be awarded to businesses that make a capital investment of at least \$2 million.

This will be a refundable tax credit that a business can be eligible to receive for up to 15 years. The credit will require that any businesses receiving tax incentives shall maintain operations in the state for at least the greater part of seven years or the term of the credit plus three years.

The bill as drafted includes a recapture mechanism in the event that a business fails to comply with the rules described above. This mechanism would allow the Department of Development to amend the agreement with a business to reduce the percentage or term of the tax credit that they were awarded and to recapture up to 100% of the credit that was awarded.

This recapture mechanism is common practice in similar tax credits that the state of Ohio offers. Recently, JobsOhio sued Olive AI Inc., for not meeting new job metrics that had been contractually agreed upon when they were awarded a tax incentive. Olive must now pay back the amount to the state that they had been awarded. This tax credit will operate in the same manner.

If the director of Development determines that a business who has received a credit is not in compliance with the rules outlined in the bill, they can notify the Department of Development, who will then notify the business and give them an opportunity to explain the noncompliance. If the Department of Development finds that a business is not in compliance, they have the authority to require a business to refund a portion or all of the credit to the state through several mechanisms.

This tax credit is designed not just to increase economic output or sell more guns – it's meant to create permanent, well-paying jobs for Ohioans. This is a people-focused bill – the credit is awarded if you employ more people, not just if you add a new building to your property to store products. The bill includes a provision that businesses create new, paying jobs so that businesses can't simply relocate current employees, and the amount of credit that is awarded is based on the total payroll of a business applying for the credit.

If passed, House Bill 189 would make Ohio one of the first states to specifically exempt guns and ammunition from sales tax and create a tax credit for businesses that manufacture firearms and ammunition.

Thank you again for the opportunity to testify, and I welcome any questions that you may have.