



Senator Al Cutrona & Senator Tim Schaffer

**Senate Bill 59 Sponsor Testimony
Senate Ways & Means Committee
Tuesday, February 11, 2025**

Senator Schaffer:

Chairman Blessing, Vice Chair Roegner, Ranking Member DeMora, and members of the Senate Ways and Means Committee, thank you for the opportunity to provide sponsor testimony, with Senator Cutrona, on Senate Bill 59.

This legislation is designed to accomplish two goals – and I will speak to the first. That being, to exempt firearms and ammunition from Ohio sales and use tax. Specifically, 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 the sales and use tax from firearms and ammunition, Senate Bill 59 will make the related businesses in our state more competitive with those in neighboring states. In 2021, similar language was adopted into law in the State of West Virginia, highlighting the necessity of this legislation; to ensure that Ohioans support Ohio businesses. This legislation would safeguard Ohio's sporting goods stores from losing out on valuable business. By lessening the financial burden for Ohioans, our state would become more business friendly, leading to a positive economic impact.

According to the Legislative Service Commission, this provision would reduce the annual General Revenue Fund (GRF) receipts by an amount between \$22.7 million to \$37.9 million and reduce local sales tax collections by a combined amount of \$5.9 million to \$9.8 million per fiscal year as compared to the total state GRF sales and use tax revenue for Fiscal Year (FY) 2024, which was \$13.7 billion.

I will now turn it over to Senator Cutrona to speak to the second goal of this legislation.

Senator Cutrona:

The second goal of this legislation is to establish a tax credit for eligible firearms and ammunition manufacturers that plan on either moving into the State of Ohio or expanding existing 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. For example, within the last couple years, 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 is meant to create permanent, well-paying jobs for Ohioans. This is a people-focused bill – the credit is awarded if, and only if, you employ more people – not just if you add a new building to your property to store products. This 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, Senate Bill 59 would make Ohio one of the first states to specifically exempt guns and ammunition from sales tax, while simultaneously creating a tax credit for businesses that manufacture firearms and ammunition, here in the State of Ohio.

Thank you again, Chair Blessing, Vice Chair Roegner, Ranking Member DeMora, and members of the Senate Ways and Means Committee for the opportunity to provide sponsor testimony, with Senator Schaffer, on SB 59, and I welcome any questions that you may have.