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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 189  
135<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 189's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Rep. Cutrona

**Local Impact Statement Procedure Required:** Yes

Lin Kong, LSC Fellow

### Highlights

- The bill authorizes the small arms and ammunition manufacturing credit, which is applicable against the personal income tax (PIT) and the commercial activity tax (CAT). The credit is nonrefundable, but a taxpayer could claim credits for up to 20 years on behalf of a qualifying capital investment. The bill also exempts from sales and use tax (SUT) the sales of certain personal firearms and ammunition.
- The credit would permanently reduce GRF tax revenues by an indeterminate amount beginning in FY 2025. The SUT exemption will annually reduce state tax receipts by an amount between \$23.5 million to \$39.2 million, and reduce local tax collections by a combined amount of \$5.9 million to \$9.8 million over a fiscal year period. According to codified law, the Local Government Fund (LGF) and Public Library Fund (PLF) would each bear 1.66% of the tax revenue loss in future years.
- The credit would be granted to taxpayers making a capital investment of at least \$2 million in a new or expanded small arms and ammunition manufacturing facility. Credits may only be awarded after the taxpayer successfully applies to the Ohio Tax Credit Authority.
- The maximum value of an applicant's credit equals a percentage specified by the bill, as multiplied by the federal firearms and ammunition and excise tax paid by the applicant in the preceding year on items manufactured at the new or expanded facility.

### Detailed Analysis

The bill authorizes both a tax credit and a sales and use tax (SUT) exemption related to firearms and ammunition.

## **Small arms and ammunition manufacturing credit**

The bill authorizes the nonrefundable small arms and ammunition manufacturing credit, which would be awarded by the Ohio Tax Credit Authority. Credits would be issued for up to 20 years to taxpayers making a “qualified investment” of capital in a new or expanded small arms and ammunition manufacturing facility. The credit authorized by the bill would be applicable against the personal income tax (PIT) and commercial activity tax (CAT).

The taxpayer must submit an application to the Ohio Tax Credit Authority after making the investment, and the bill directs the Department of Development (DEV) Director to create the application by incorporating elements specified by the bill. By using the applicant’s submitted information, the Ohio Tax Credit Authority will compute the “credit percentage” that determines the dollar value of an applicant’s credit. Both the percentage and value will be identified on the tax credit certificate. Only those taxpayers making a qualified investment of at least \$2 million will be awarded a tax credit certificate.

The bill enumerates what amounts must be included when computing the applicant’s qualified investment. The credit percentage is intended to offset the CAT and PIT receipts that are attributable to the applicant’s qualified investment in a new or expanded small arms and ammunition manufacturing facility.

The bill requires the owner of a tax credit certificate to annually certify the financial information to the Ohio Tax Credit Authority on or before the first day of March. The reported information serves as the basis for determining future credit values over the successive 19-year period.

The credit is transferrable, and the bill prescribes procedures for notifying the Ohio Tax Credit Authority of such a conveyance.

On or before July 1, 2029, and every fifth year thereafter, the Ohio Tax Credit Authority must submit to the General Assembly and to the Governor a report evaluating the cost and effectiveness of the small arms and ammunition manufacturing credit.

The DEV Director, after consultation with the Tax Commissioner and the Ohio Tax Credit Authority, must adopt all rules necessary to implement the bill. The bill exempts these rules from a continuing law that prohibits an agency from adopting a new regulatory restriction unless it simultaneously removes two or more existing regulatory restrictions.

### **Value of nonrefundable credits**

The CAT credit equals the taxes due on the taxpayer’s gross receipts derived from the new or expanded small arms and ammunition manufacturing facility, before any allowable credits against the tax, multiplied by the credit percentage specified in the tax credit certificate.

The PIT credit equals the taxes due on the taxpayer’s Ohio adjusted gross income derived from the new or expanded small arms and ammunition manufacturing facility, before any allowable credits against the tax, multiplied by the credit percentage specified in the tax credit certificate.

The sum of the credits claimed by a taxpayer must not exceed the maximum credit amount stated in the tax credit certificate.

## Sales and use tax exemption

The bill exempts from sales and use tax the sales of certain personal firearms and ammunition purchased on or after the first day of the first month that begins after the bill's 90-day effective date. Any nonshotgun firearm that is 50 caliber or smaller qualifies for the exemption, as does any shotgun that is 10 gauge or smaller (e.g., 12 gauge, 20 gauge, etc.). Ammunition is also exempt if it is designed for use in any such firearm.

## Fiscal effect

The bill will incur a permanent revenue loss on behalf of the small arms and ammunition manufacturing credit. It will reduce PIT and CAT receipts by an indeterminate amount as early as FY 2025, depending on future capital investments made in Ohio as a result of the credit. According to codified law, the Local Government Fund (LGF) and Public Library Fund (PLF) would each bear 1.66% of the tax revenue loss in future years.

The bill creates additional duties for the Ohio Tax Credit Authority, which is a five-member independent board consisting of taxation and economic development professionals throughout the state. The Authority is charged with reviewing and approving applications for tax credit assistance. In addition, the Authority and its staff, as provided by DEV, have oversight responsibilities that include annual monitoring and reporting the progress of approved tax credit projects. Therefore, DEV will likely incur additional expenditures to implement the bill, and the Ohio Tax Department could incur additional administrative costs due to the transferability of the small arms and ammunition manufacturing credit.

The bill's SUT exemption of certain personal firearms and ammunition would reduce annual SUT receipts by an amount between \$23.5 million to \$39.2 million. Additionally, ongoing law permits counties and local transit authorities to levy a local sales tax; the tax base for permissive taxes is the same as the tax base for the state tax. As such, this exemption would reduce local tax collections by a combined amount between \$5.9 million and \$9.8 million over a 12-month period. The state and local revenue losses may grow in future years at a pace that matches inflation.

LBO arrived at these figures using state and national estimates of gun and ammunition sales. Unfortunately, it is difficult to accurately measure gun and ammunition sales. While gun manufacturers and sellers must keep records of their sales, they are not required to report those numbers to any state of Ohio or federal authority, and as such estimates of these sales vary. Instead, LBO used the number of background checks performed in Ohio over a 12-month period as a proxy to gun sales. According to the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), there were 656,926 background checks performed in Ohio in CY 2022.<sup>1</sup> This number was then multiplied by the estimated average price of a firearm, between \$400 and \$800. Ammunition figures were calculated using state estimates of the number of rounds produced, multiplied by the average price of an ammunition round depending on its caliber.

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<sup>1</sup> More information on the [number of background checks](#) can be found on the Federal Bureau of Investigation website, [fbi.gov](https://www.fbi.gov).