Ohio Legislative Service Commission

Jason Phillips

Fiscal Note & Local Impact Statement

Bill: S.B. 73 of the 129th G.A. **Date**: March 4, 2011

Status: As Reported by Senate Ways & Means & Economic Development **Sponsor**: Sen. Manning

Local Impact Statement Procedure Required: No

Contents: Allows manufacturers of nonbeverage food products to purchase beer and intoxicating liquor at wholesale

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill allows manufacturers of nonbeverage food products to purchase beer and intoxicating liquor at wholesale. Currently, manufacturers of nonbeverage food products purchase beer and intoxicating liquor at retail or purchase and import intoxicating liquor into the state. There appears to be no direct fiscal effect as a result of the bill since the purchases made by a manufacturer would be exempt from the sales tax regardless of whether the items were purchased at wholesale or retail. While the sales and use tax applies to retail sales of beer or liquor, there is generally an exemption to Ohio's sales and use tax for items that a purchaser intends to "incorporate . . . as a material or a part into tangible personal property to be produced for sale by manufacturing, assembling, processing, or refining."[1] That is, since a nonbeverage food manufacturer would be purchasing the beer or liquor as an ingredient in the food products that are subsequently sold, the sales tax would not apply to retail sales in these circumstances. To the extent any sales taxes are currently collected on such transactions, LSC assumes the amount to be minimal. The bill does not affect receipts from the alcoholic beverage tax or liquor gallonage tax which are paid by manufacturers or distributors of those beverages.

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[1] R.C. 5739.02(B)(42)(a)