

Fiscal Note

BILL # HB 2185

TITLE: TPT; exemption; firearm storage devices

SPONSOR: Longdon

STATUS: As Introduced

PREPARED BY: Nate Belcher

Description

The bill, as introduced, would exempt sales of safe firearm storage devices from the Transaction Privilege Tax (TPT). The bill would become effective on the first day of the month following the general effective date.

Estimated Impact

We estimate that HB 2185 would reduce the General Fund portion of TPT revenue distributions by \$(570,000) on an annual basis.

Analysis

Our analysis is based on data from Washington state's sales tax exemption for gun safes. The definition of "safe firearm storage devices" under HB 2185 is not identical to the definition of "gun safes" exempted under Washington's statute, but it appears to be reasonably close. For this reason, we base our estimate on Washington's sales tax exemption, as outlined below.

Washington state exempts the sale of gun safes from retail sales and use tax. According to Washington's 2020 Tax Exemption Study, the Washington Department of Revenue estimates that the firearm safe exemption reduces sales tax revenue in the state by approximately \$(1.0) million annually. Washington's retail sales tax rate is 6.5%, so we estimate that firearm safe sales in Washington state total approximately \$15.4 million per year.

According to the U.S. Census Bureau, Washington's adult population is approximately 6.05 million compared to Arizona's 5.5 million adults. Based on information published by the World Population Review, 42.1% of adults in Washington own a firearm compared to 46.3% of adults in Arizona. These data suggest that roughly 2.55 million [6.05 million x 42.1%] adults in Washington state own firearms, as do 2.55 million [5.5 million x 46.3%] adults in Arizona.

Therefore, we estimate that the annual volume of firearm safe sales in Arizona is also \$15.4 million. At the general state TPT rate of 5.0%, we estimate that these sales generate approximately \$770,000 in state tax revenue annually, of which \$570,000 is deposited into the General Fund.

Based on the assumptions outlined above, we estimate that exempting firearm storage devices from TPT would result in a General Fund revenue loss of \$(570,000) annually.

Local Government Impact

State TPT revenues are shared with local governments and any reduction in these collections would result in decreased distributions to cities and counties. We estimate that HB 2185 will result in \$(202,000) in reduced TPT distributions to localities, including \$(77,000) for cities and \$(125,000) for counties.

2/10/23

